

St. Petersburg University
Graduate School of Management
Master in Corporate Finance

APPLICATION OF MANAGEMENT ACCOUNTING SYSTEM
TO MARKETING PROJECTS PERFORMANCE EVALUATION:
ALIGNING WITH COMPANY'S STRATEGIC GOALS

Master Thesis by the 2nd year student
Concentration – Corporate Finance
Alexey Sidorenko

Research advisor:
Sr. Lecturer, Olga V. Makarova

St. Petersburg
2018

АННОТАЦИЯ

Автор	Сидоренко Алексей Алексеевич
Название магистерской диссертации	Построение системы управленческого учета для оценки эффективности проектов в области маркетинга: согласование со стратегическими целями компании
Факультет	Высшая Школа Менеджмента
Направление подготовки	Корпоративные финансы
Год	2018
Научный руководитель	Старший преподаватель, Макарова Ольга Всеволодовна
Описание цели, задач и основных результатов	Целью настоящей работы является разработка концепции системы управленческого учёта для постановки целей и оценки эффективности по маркетинговым проектам. Задачами исследования являются: анализ подходов к постановке стратегических целей компании, анализ подходов к постановке целей по маркетинговым проектам, анализ концепции системы управленческого учёта, разработка концепции системы управленческого учёта для постановки целей и оценки эффективности по маркетинговым проектам, применение концепции к системе управленческого учёта для постановки целей по новым проектам в ООО «Пивоваренная компания «Балтика», разработка практических рекомендаций. В результате проведённого исследования была разработана концепция системы управленческого учёта для постановки целей и оценки эффективности по маркетинговым проектам описанная выше модель, а на её базе – разработаны практические рекомендации для ООО «Пивоваренная компания «Балтика».
Ключевые слова	Система управленческого учёта, стратегические цели компании, управление проектами, маркетинговые проекты, оценка эффективности

ABSTRACT


Master Student's Name	Alexey Alexeevich Sidorenko
Master Thesis Title	Application of Management Accounting System to Marketing Projects Performance Evaluation: Aligning with Company's Strategic Goals
Faculty	Graduate School of Management
Main field of study	Corporate Finance
Year	2018
Academic Advisor's Name	Senior Lecturer, Olga Vsevolodovna Makarova
Description of the goal, tasks and main results	The goal of the present thesis is to develop a management accounting framework for marketing projects goals setting and performance measurement. The objectives are the following: analyze the approaches to setting strategic goals of a company, analyze the approaches to setting goals of marketing projects, analyze the concept of management accounting system (MAS), develop a management accounting system framework for marketing projects, apply the framework to the case of Baltika Breweries company, provide managerial implications. As a result of the research the management accounting framework for marketing projects goals setting and performance measurement was constructed and used as a basis for the development of managerial recommendations for Baltika Breweries.
Keywords	Management accounting system, company strategic goals, project management, marketing projects, performance measurement

ЗАЯВЛЕНИЕ О САМОСТОЯТЕЛЬНОМ ХАРАКТЕРЕ ВЫПОЛНЕНИЯ ВЫПУСКНОЙ КВАЛИФИКАЦИОННОЙ РАБОТЫ

Я, Сидоренко Алексей Алексеевич, студент второго курса магистратуры направления «Менеджмент», заявляю, что в моей магистерской диссертации на тему «Построение системы управленческого учета для оценки эффективности проектов в области маркетинга: согласование со стратегическими целями компании», представленной в службу обеспечения программ магистратуры для последующей передачи в государственную аттестационную комиссию для публичной защиты, не содержится элементов плагиата.

Все прямые заимствования из печатных и электронных источников, а также из защищенных ранее выпускных квалификационных работ, кандидатских и докторских диссертаций имеют соответствующие ссылки.

Мне известно содержание п. 9.7.1 Правил обучения по основным образовательным программам высшего и среднего профессионального образования в СПбГУ о том, что «ВКР выполняется индивидуально каждым студентом под руководством назначенного ему научного руководителя», и п. 51 Устава федерального государственного бюджетного образовательного учреждения высшего образования «Санкт-Петербургский государственный университет» о том, что «студент подлежит отчислению из Санкт-Петербургского университета за представление курсовой или выпускной квалификационной работы, выполненной другим лицом (лицами)».


_____/ Сидоренко А.А. (Подпись студента)


25.05.18 (Дата)

STATEMENT ABOUT THE INDEPENDENT CHARACTER OF THE MASTER THESIS

I, Alexey Sidorenko, second year master student, program «Management», state that my master thesis on the topic «Application of Management Accounting System to Marketing Projects Performance Evaluation: Aligning with Company's Strategic Goals» which is presented to the Master Office to be submitted to the Official Defense Committee for the public defense, does not contain any elements of plagiarism.

All direct borrowings from printed and electronic sources, as well as from master theses, PhD and doctorate theses which were defended earlier, have appropriate references.

I am aware that according to paragraph 9.7.1. of Guidelines for instruction in major curriculum programs of higher and secondary professional education at St. Petersburg University «A master thesis must be completed by each of the degree candidates individually under the supervision of his or her advisor», and according to paragraph 51 of Charter of the Federal State Institution of Higher Education Saint-Petersburg State University «a student can be expelled from St. Petersburg University for submitting of the course or graduation qualification work developed by other person (persons)».


_____/ Sidorenko Alexey (Student's signature)

25.05.18 (Date)

TABLE OF CONTENTS

INTRODUCTION	6
CHAPTER 1. GOALS SETTING AND MANAGEMENT ACCOUNTING SYSTEM	9
1.1. Approaches to setting strategic goals of a company	9
1.1.1. Strategy in the system of the company's performance measurement	9
1.1.2. Approaches to strategic goals setting and performance measurement	10
1.1.3. Balanced Scorecard approach	11
1.2. Approaches to setting goals of marketing projects	17
1.2.1. Goals and performance measures of marketing projects	17
1.2.2. Marketing project framework by Gidel, Gautuer and Duchamp	20
1.3. Theoretical concept of management accounting system	25
CHAPTER 2. DESIGN OF MANAGEMENT ACCOUNTING SYSTEM FOR MARKETING PROJECTS	27
2.1. Development of management accounting system framework for marketing projects ..	27
2.1.1. Construction of goals setting framework for marketing projects	27
2.1.2. Construction of management accounting system framework for marketing projects	32
2.2. Application of management accounting system framework: Baltika Breweries	38
2.2.1. Research methodology	38
2.2.2. Audit of setting goals for marketing projects in Baltika Breweries	40
2.2.3. Analysis of the gaps in the audited system	43
2.2.4. Managerial implications	45
CONCLUSION	49
REFERENCES	50

INTRODUCTION

In the economic world of today, with its globalization, development of new technologies, and fast changes of customer tastes, product lifecycles tend to shrink rapidly. Companies observe faster adoption of new-technologies-based products and their faster obsolescence: what used to take years now happens in months. The phase of preliminary marketing research before a product launch, which used to serve as a significant determinant of future product success is becoming costly fun, due to its high time cost and low predictability of the environment.

In order to adapt to these changes, companies have to introduce new products faster, while being able to react quickly to the changes in the markets where they operate. Business has to become more agile: it should introduce new and more efficient processes in different functional areas, especially marketing, despite having less time for decision-making. These processes should provide the ability to introduce new marketing projects (e.g. launches of new products and brands), faster and with higher frequency than previously, while sustaining the required level of decision quality.

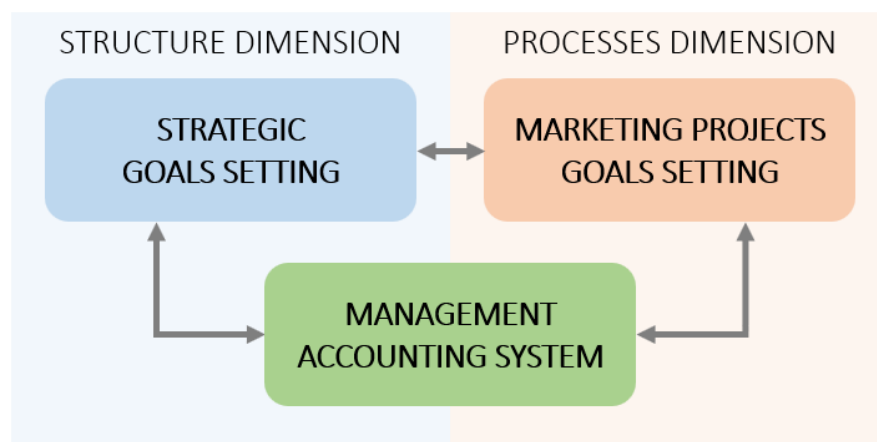
Decision making process in the sphere of marketing projects, as well as in other functional areas, heavily relies on the company's internal sources of information, with management accounting system (MAS) acting as a major one. This implies that MAS (especially its part responsible for the support of the decision-making process in marketing) has to adapt to the occurring changes, while maintaining high speed and acceptable quality of decisions.

In general, MAS deals with the internal (usually inaccessible to external parties) information within a company and is primarily intended for the support of managerial decisions. In fact, all functional areas have their corresponding management accounting data and processes, with the new marketing projects, such as new launches and campaigns among them.

In the present thesis, the author studies the links of goals and performance measures for new marketing projects with the company's strategic goals and the design of its MAS. The scope of the research in terms of MAS design is limited to only those of its components, features and processes that are related to the decision-making support of new marketing projects – not the MAS on the whole. The inclusion of the corresponding parts of MAS into the scope of the present thesis is performed based on the influence of those on new marketing projects: both direct and indirect, as well as their controllability, so that the company could make managerial decisions on whether to provide corresponding changes to its MAS or state that they are not necessary.

The definition of a new marketing project in the context of the present thesis does not necessarily imply that a company employs project management as a paradigm, but rather considers a new product, brand, marketing campaign, etc. as projects, thus concentrating on the corresponding processes – not on the structure.

The issue of goals setting is widely present in the literature from the viewpoint of hierarchical decomposition, with the domination of structural dimension: the strategic level is transformed into the operational one through the vertical structures (see [Lynch and Cross 1995], [Neely and Adams 2001], and [Kaplan and Norton 1996, 2001, 2004]). On the other hand, there exists goals setting for projects, which resides in the process dimension (see [Gidel, Gautuer and Duchamp 2005]). And while the first – structural – dimension is rich with research papers devoted to various approaches of goals setting, the second one – process – remains less represented, despite being highly relevant, since more and more companies launch new projects and start doing it on a regular basis. As a result, goals setting for projects – and especially for marketing projects – remains out of sync with strategic goals setting. The present thesis is devoted to the investigation of the gap with reference to the role MAS plays in it – the role of the integrating system (see *Picture 1*).



Picture 1. Links between strategic goals setting, marketing projects goals setting and management accounting system

Source: author's analysis

The problem identified can be considered from the viewpoint of change management: there exists a gap between the desired and the current states (both in theoretical and practical areas), and the present thesis aims at narrowing the gap, thus linking the current state to the desired one. If we look at the problem in the context of the basic model of change management proposed by [Phillips 1983], we could say that the results of the current thesis could serve as an instrument of justification of the change at the step of creating a sense of concern, when a problem is revealed and stated as the one needed to be solved, with the follow-up guidance on how the change can be executed.

The objective of the present thesis is to develop a management accounting system framework for marketing projects, which helps integrate strategic (structural dimension) and

marketing projects (process dimension) goals setting in order to align the goals of a marketing project with strategic ones. In order to do so, the following objectives are stated:

1. Analyze the approaches to setting strategic goals of a company;
2. Analyze the approaches to setting goals of marketing projects;
3. Analyze the concept of management accounting system (MAS);
4. Develop a management accounting system framework for marketing projects;
5. Apply the framework to the case of Baltika Breweries company;
6. Provide managerial implications.

The framework developed is expected to serve as a practical instrument of MAS design analysis, which can help construct, audit and redesign MAS of a company for the better fit with strategic goals and goals of marketing projects.

The design of the research can be characterized as a single-company case study: the framework developed is applied to the practical case of the Baltika Breweries company, with its management accounting system, strategic goals and marketing (new product development) projects.

The choice of the method is based on the specificity and sensitivity of the issue analyzed: even though strategic goals of a company are often available in open sources, the approaches used to setting goals of marketing projects and the configuration of MAS is usually confidential. This means, the corresponding data is hardly accessible and is available in limited amounts: the collection of the information takes much time and does not allow for high comparability and generalizability. Nevertheless, the case study approach allows for the profound analysis of the problem under study.

The data for the framework development comes from the research papers databases, such as EBSCO, Scopus and Emerald Insight. The author analyzes research articles and books devoted to setting strategic goals of a company, marketing projects performance measurement and management accounting system design in order to construct the management accounting system framework for marketing projects.

Taking into consideration the specificity of the issue under study, the data for the case study is collected from the unstructured interviews with controlling managers of Baltika Breweries performed by the author and the investigation of the internal documents related to the goals setting and performance measurement of marketing projects in Baltika for the purpose of validation.

Now, let us proceed with the deeper investigation of the phenomenon under study.

CHAPTER 1. GOALS SETTING AND MANAGEMENT ACCOUNTING SYSTEM

The chapter is devoted to the analysis of the main concepts employed in the thesis: strategic goals setting, project goals setting and management accounting system.

1.1. Approaches to setting strategic goals of a company

The paragraph addresses the ways strategic goals can be treated in the system of performance measurement.

1.1.1. Strategy in the system of the company's performance measurement

According to [Grant 2010], strategy can be seen through multiple lenses, which focus on different roles a strategy plays in a firm. The author distinguishes between the three roles of strategy: (1) decision-support, (2) coordinating device, and (3) target.

Decision support. Strategy can be considered “as a pattern or theme that gives coherence to the decisions of an individual or organization” [Grant 2010]. An individual or an organization (as a group of individuals) is subject to bounded rationality, which means that their decision analysis is restricted by cognitive capabilities of a human being. As decision support, strategy limits the number of alternatives considered and provides a rule of finding an acceptable solution, with the use of different individuals' knowledge and analytic tools. [Grant 2010]

Coordinating device. An organization needs to coordinate its actions across different employees and departments, which is considered one of the hardest problems of managing a firm. Strategy drives coordination as a means of communication (through the statements of strategy), and as a forum (in the process of strategic planning, different views are presented, discussed and derived into agreements). After the strategy is formulated, the monitoring of its implementation (by comparison of actual performance with the intended one) serves as an instrument, which allows to coordinate the firm's activities to an intended direction. [Grant 2010]

Target. Strategy does not only support performance of a company in present, it is also concerned about its future. Strategy establishes a direction of development and sets goals that motivate and inspire members of the company. In this way, it creates a “an extreme misfit between resources and ambitions”, thus challenging the organization to eliminate the gap by developing competitive advantages. [Grant 2010]

The three roles of strategy proposed by [Grant 2010] point out its significance in terms of goals and performance of organization. Therefore, it is not surprising that strategy is a key focus in the studies of organizational management. Originally, strategy mainly referred to long-term perspective of organization's activity. This vision of strategy has not lost its relevance over time, and it got enriched by the consideration of contribution of different functions, bringing the idea of

balance between the functions and their coordination to the fore. [Chendall and Langfield-Smith 2007]

1.1.2. Approaches to strategic goals setting and performance measurement

Following this logic, performance measurement systems in relation to strategy originally concentrated on some directions of company's activities making them important in the long run and thus strategic, with such approaches as differentiation and cost leadership proposed by [Porter 1985], or harvest and build missions proposed by [Gupta and Govindarajan 1984]. Strategic performance measurement frameworks were built upon these models, which made them clear and understandable, but simplistic.

With the evolution of strategies, their performance measures changed to the more complex and integrated systems, with both financial and non-financial performance indicators used, as well as the idea of balance between the functional areas. For example, [Lynch and Cross 1995] developed a performance measurement approach based on the hierarchy (from senior to operational levels of management), which considers market and cost aspects in order to develop in strategically important directions.

Another example is the performance prism proposed by [Neely and Adams 2001]. The authors use five facets, with stakeholder satisfaction and stakeholder contribution acting as top and bottom facets, while strategies, processes and capabilities constitute the three side facets.

The world-renowned instrument of linking performance measurement system of a company to its strategy was proposed by [Kaplan and Norton 1996, 2001, 2004]. The Balanced Scorecard (also known as BSC) has been a dominating framework since its introduction, with its application empirically tested in different aspects by many researchers. BSC introduces four perspectives of performance measurement, splitting each of them into a hierarchy of relationships between measures, so that the changes in performance measured in the lower level contribute to the changes in the higher one.

[Ittner, Larcker and Meyer 2003] tested BSC in terms of application to the bonus system of a financial services company and concluded that the framework successfully compensated for the disadvantages of a short-term results related reward system, but the usefulness of BSC was limited by the subjectivity of the weights given to performance measures. [Hoque and James 2000] stated that the application of BSC is significantly correlated with the performance of organization in general. [Davis and Albright 2004], based on a comparative study, concluded that companies that used BSC performed better than those that did not. In their research, [Bryant, Jones and Widener 2004] analyzed the process of value creation within a firm, using the measures from BSC. As a result, the authors concluded that the improvement in outcome measures of the lower hierarchical level contributed to improvements in measures of higher level of several perspectives

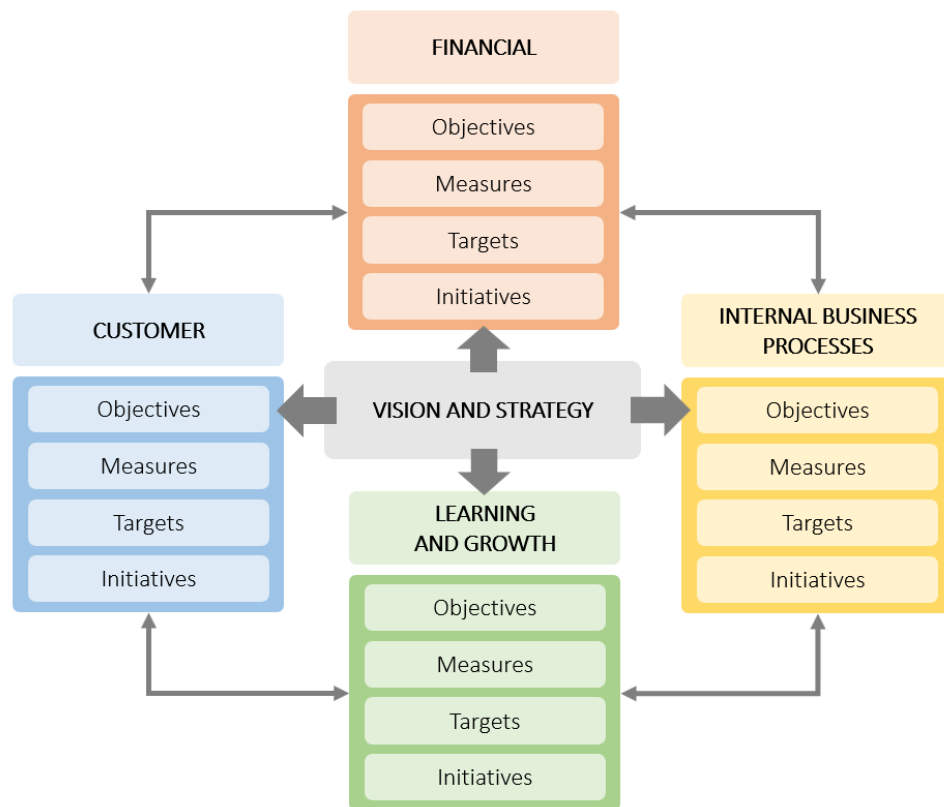
at a time. [Malina and Selto 2001] performed a case study to investigate the influence of BSC on the communication of strategy and used the concept as a means of management control. [Banker, Chang and Pizzini 2004] analyzed the influence of BSC on judgements of managers and concluded that the evaluations of managers of business units depended rather on the measures that were linked to strategy in case the managers were acquainted with the details of business unit strategies. Some research papers, such as [Lipe and Salterio 2000] stated cognitive difficulties related to the implementation and use of BSC, due to its complexity [Chendall and Langfield-Smith 2007].

In general, among the methods of linking strategy with the company's performance measurement, Balanced Scorecard remains the most thoroughly studied and widely used approach, which makes its application to the present thesis considerably valuable. BSC is further described and used as a basic framework for the representation of strategic approach to goals setting and performance measurement.

1.1.3. Balanced Scorecard approach

Balanced Scorecard appeared as a response to limitations of financial accounting reporting and specifically in terms of performance measurement and goals setting. BSC allows companies to integrate complex effort in order to develop and sustain competitive advantage: the system combines both financial and non-financial indicators from different functional areas.

Even though BSC contains the module of classic financial indicators designed to track events and their results, it is insufficient for successful operation for a company competing in the information age, when long-term investments and client relationship are crucial success factors. That is why BSC essentially considers such aspects as investments into relationship with clients, suppliers, manufacturing, research and development, etc. Kaplan and Norton extended basic systems of financial indicators developed by predecessors with the evaluation of the so-called perspectives. Goals and performance indicators are designed based on the company's strategy and vision, with further split into four categories: (1) financial, (2) customer, (3) internal business-processes, and (4) learning and growth (see *Picture 2*). [Kaplan and Norton 1996, p. 17]



Picture 2. The structure of the Balanced Scorecard

Source: based on [Kaplan and Norton 1996, p. 9]

As an integrative performance measurement and goals setting framework, BSC broadens the understanding of what a company's performance is beyond the financial indicators threshold. It provides the understanding of value creation in different aspects, combined together into a single system. The framework helps understand what the company can do in order to extend its internal opportunities and enhance its performance in the future. [Kaplan and Norton 1996, p. 18]

The four perspectives and the relationship between them constitute the body of BSC. The perspectives are linked into a cause-and-effect chain, starting with learning and growth, and consequently moving to internal business processes, customer and financial perspectives. [Kaplan and Norton 1996, pp. 30-31]

Even though each of the perspectives has its own specificity¹, the way BSC treats them is common. Each of the perspectives consists of (1) objectives (goals), (2) measures, (3) targets, and (4) initiatives. Objectives strongly correspond to the vision: they are based on the understanding of what the company would like to be. Measures are the approaches – primarily performance indicators – a company can use in order to estimate the achievement of its goals. When measures

¹ It is noteworthy that BSC does not restrict the system of measures to the four perspectives: the set of perspectives can be varied by the addition, elimination or change of perspectives according to the strategic vision of the business.

are established, the company can use targets to state which values of measures correspond to the achievement of goals, and to which extent they are acceptable (or not). Depending on the targets, the company establishes initiatives – actions intended for their achievement, with further fit for measures, objectives and vision. [Kaplan and Norton 1996, pp. 7-8]

Financial perspective. The BSC motivates a company to establish relationship between corporate strategy and financial goals, which are further used for defining goals for the other perspectives. Each indicator chosen should be a logical component in the chain of relationships aimed at enhancement of financial performance. Development of the BSC starts from definition of long-term financial goals, which effectively leads to a sequence of actions (initiatives) that should be executed in all the four perspectives, in order to reach long-term economic results. These financial goals and indicators have two main functions: (1) determine financial results expected from the implementation of the strategy, and (2) serve as a basis for determination of goals and indicators of the other perspectives of the BSC. [Kaplan and Norton 1996, p. 42]

Financial perspective also contains a risk management module, which is considered as important, as income management. Even though the goals related to growth, profitability and cash flows are of crucial importance for many companies, expected profit calculations should be counterweighted by the relevant risk management and control. This can be done by the introduction of indicators of strategic risks, such as diversification of business branches, sources of income, client base or geographic distribution of clients. In general, risk management can be considered a separate perspective – in addition to the four existing ones - with its own indicators that should be taken into account while developing strategy and setting strategic goals. [Kaplan and Norton 1996, p. 44]

Financial goals may significantly vary over the stages of company lifecycle. Different models of lifecycle exist, with the one proposed by [Adizes 1988, 1999] being one of most widely accepted. Nevertheless, Kaplan and Norton use a simplified model of company lifecycle. This can be motivated by irrelevance of BSC at some steps of company lifecycle (e.g. at the very beginning when a business is only being established), as well as by the level of generalization: Kaplan and Norton do not study corporate lifecycles – the concept is used to explain the difference of application of BSC at various steps of company life. The lifecycle model the authors of BSC resort to consists of the three steps: (1) growth, (2) sustainability, and (3) harvesting.

During the *growth* phase, which is the first one in the lifecycle of business, products and services have significant growth potential. The company should attract considerable amount of resources in order to develop and promote new products and services; build up and increase production capacity; invest in IT systems, infrastructure and distribution network; create and develop client base. During this phase return on investment can be low, while cash flows can even

be negative. Investment into the future development may exceed the income a business receives from the relatively small base of existing products, services and clients. Therefore, the main financial goal at this phase is the percentage growth of income and amount of sales in the target segment. [Kaplan and Norton 1996, pp. 42-43]

Sustainability is the phase, at which most of the business units of a company still need investment and reinvestment, but they should already demonstrate high return on investment. It is also considered that a company does not only retain its market share, but also increases it each year. Investment projects at the sustainability phase, in comparison to those at the first one, are mainly aimed at the liquidation of bottlenecks, production capacity extension and constant business enhancement. In most cases, financial goals during the sustainability phase refer to business profitability, e.g. income from main activity and gross profit. Relatively more independent companies may also take into consideration the amount of capital employed. For such companies it is recommended to set goals using indicators that juxtapose income earned with amount of capital invested, e.g. return on investment, return on fixed assets, added value, etc. [Kaplan and Norton 1996, p. 43]

The last phase within the model is *harvesting*. A business that has reached the phase, does not need much additional investment. Any investment project at this phase is likely to have definite and short payback period. The main goal during harvesting is to achieve the highest return of cash flow into the company, which leads to setting financial goals primarily in terms of cash flows from operating activities (before depreciation and amortization). [Kaplan and Norton 1996, p. 43]

One of the main things about the application of BSC that its authors expressed through the lifecycle concept is the idea that the goals a company sets and the performance indicators a company uses should fit the current state of development of the company, as well as its strategic vision. What is suitable for one company at a certain stage of lifecycle can be harmful and misleading for the other at a different stage, which is amplified by the differences between the companies. This implies that managers should have clear understanding of the current stage of lifecycle the company is at, as well as be able to identify changes in the stages and the traits of the new ones – and set goals and indicators correspondingly.

Customer perspective. The customer perspective is seen mainly through the prism of the market the company operates in. This can be described through market share, client base, and performance in the target market segment. The perspective also incorporates such indicators as client satisfaction, customer retention, attraction of new clients, client profitability, market value and target market share. The customer perspective also includes indicators that help estimate and monitor customer loyalty. [Kaplan and Norton 1996, p. 30]

The client perspective of the BSC deals with the identification of the clients and the segments of market, with which a company is going to work. The segments chosen serve as a source of income for the company, the increase of which is considered the main goal in the financial perspective, and this links customer and financial perspectives together. [Kaplan and Norton 1996, p. 52]

As soon as a company has identified its target segment, it should state its goals and indicators for the customer perspective. Kaplan and Norton propose the following commonly applied performance indicators: (1) market share, (2) customer retention, (3) customer acquisition, (4) customer satisfaction, and (5) customer profitability. It is also recommended to add indicators of perceived customer value. [Kaplan and Norton 1996, pp. 54-58]

Customer value is based on the features of products and services, which help the company establish and sustain loyalty and satisfaction of its customers. Even though customer value indicators may vary across industries and market segments, they have some common features relevant in the context of the BSC designing process. Firstly, as it has already been mentioned, indicators of customer value rely to features of products and services. Secondly, they are devoted to developing relationship with customers. Finally, the indicators refer to image and reputation of the company in the perception of target market customers. [Kaplan and Norton 1996, p. 58]

Internal business process perspective. The perspective relates to the processes that a company considers of critical importance. The importance is evaluated by the influence of a process on customer satisfaction and on achievement of the company's financial goals. The company should not just improve its existing processes, but also identify those which do not yet exist – and establish them. Furthermore, the company should not only concentrate on the processes it has identified as the most important – the company should sustain long-term innovation processes, so that its financial performance is supported both in short and long run. [Kaplan and Norton 1996, p. 28]

Learning and growth perspective. The fourth perspective of the BSC focuses on the infrastructure the company needs to establish in order to guarantee long-term performance improvement. The main areas the perspective concentrates on are human resources, systems, and organizational procedures. The analysis of those often results in the identification of gaps that should be closed to guarantee long-term sustainability and success. And to do so, the company needs to invest in training and development of its employees, renew its IT infrastructure, coordinate its organizational procedures. [Kaplan and Norton 1996, p. 28]

To measure the effect of actions the company takes from the viewpoint of learning and growth perspective (and to set corresponding goals), the following performance indicators can be applied: employee satisfaction, employee retention, and business-specific indicators of relevant

employee skills – for the human resources management; availability of relevant, accurate and up-to-date information for decision-making – for the IT infrastructure; linkage of employee incentives to the success factors and overall goals of the company – for the organizational procedures. [Kaplan and Norton 1996, p. 29]

In general, the BSC represents a comprehensive approach to setting strategic goals and establishing a corresponding performance measurement system, so that they work together for the implementation of the company's strategy. The concept exploits the structural approach, with the performance measures and goals decomposed from the higher hierarchical level to the lower one, while getting more specific.

The idea of balance between the perspectives, on the one hand, serves as a restriction, which limits the performance on a business, but on the other hand, provides the viability and feasibility of the strategy: strategic goals of a company cannot be focused on different aspects at the same time and lead to successful implementation of strategy.

For the purpose of the present thesis, only two of the four perspectives (and the balance between them) are considered: the financial and the customer ones (see *Picture 3*). Marketing projects, once perceived through the prism of customer perspective, might lose positive effect on financial performance, while considering them only through the financial perspective effectively cuts the nature of marketing projects. On the other hand, inclusion of all the four perspectives of the BSC into the analysis would lead to loss of focus of the research and provide unnecessary complexity which would not contribute to the value of the present thesis.



Picture 3. BSC in the context of goals setting and marketing projects

Source: adapted from [Kaplan and Norton 1996, p. 9]

1.2. Approaches to setting goals of marketing projects

The paragraph refers to the problem of setting goals for marketing projects, while treating them as a case of projects in general.

1.2.1. Goals and performance measures of marketing projects

In general, a project can be defined as a unique. It appears for a purpose and ceases to exist when the goal of the project is achieved [International Organization for Standardization (ISO) 2003]. This also implies that each project is highly subject to the specificity of the environment it operates in, which results in increasingly high complexity [Geraldi 2008; Geraldi and Adlbrecht 2008].

Projects can be established in different functional areas and companies from different industries and of different sizes, as well as be devoted to various goals, which makes developing a universal approach to projects' performance measurement almost impossible [Gidel, Gautuer and Duchamp 2005; Marques, Gourc and Lauras 2010]. In the present thesis, the scope and the variety of projects is limited to the area of marketing. This primarily refers to the projects in the fields of brand management and product development. The author focuses on the marketing projects aimed at development of new practices, instruments, components, products and brands. Therefore, such projects as development of new packaging design or launch of a new brand fit the scope of the present thesis.

Performance of a project can be measured in different ways. The classical approach implies using three classic categories of criteria, also known as "iron triangle", which incorporates budget (costs), time and specifications (quality) [Atkinson 1999]. Success of a project can be measured as a fit of the project into the restrictions of the "iron triangle", defined specifically for the project. In addition to the "iron triangle", many authors indicate the need for the satisfaction of the expectations of key project participants [Maylor 1999; Tükel and Rom 2001] and those of customers [Nicholas 1989] as drivers of project's success.

When establishing a multi-criteria system of project goals and performance measurement, the idea of balance – like in the case with the company's strategic goals – comes to the fore. The problem has become topical since the introduction of the "iron triangle", while further research only contributed to the complications due to the addition of criteria and perspectives of performance evaluation and goals setting. [Bryde 2003]

Marketing projects have their specificity in terms of goal setting and performance measurement, which originates from the nature of the issues marketing projects deals with. According to [Farris et al. 2010], marketing performance indicators (metrics) can be divided into nine groups: (1) share of hearts, minds and markets; (2) margins and profits; (3) product and portfolio management; (4) customer profitability; (5) sales force and channel management; (6)

pricing strategy; (7) promotion; (8) advertising media and web metrics; and (9) marketing and finance.

Share of hearts, minds and markets. The first group deals with the customer perception of the company, as well as the products and services it provides. The group also considers the company's position on the market through the estimation of its market share and the analysis of competitors. It includes such metrics as revenue and unit market shares, brand development index, market penetration, share of requirements, purchase intentions, willingness to recommend, etc. [Farris et al. 2010, pp. 27-32]

Margins and profits. The second group of metrics refers to the analysis of revenues, costs and profitability. It consists of such performance indicators as unit and percentage margins, average price per unit, contribution per unit, target volume and revenues, etc. [Farris et al. 2010, pp. 65-68]

Product and portfolio management. The third group of performance indicators concentrates on the structure of the product mix of the company. The group includes such indicators as trial, repeat volume, growth rate, cannibalization rate, brand equity, utilities, etc. [Farris et al. 2010, pp. 109-112]

Customer profitability. In contrast to the second group, customer profitability concentrates not on the internal company's resources and processes, but rather looks outside the company – at the value the company produces for its customers. Customer profitability is measured by recency, retention rate, customer lifetime value, acquisition and retention cost, etc. [Farris et al. 2010, pp. 153-155]

Sales force and channel management. The fifth category is concentrated on the activity of sales function: it includes the organization of sales force, its performance and compensation. Considering channel management, the category also includes distribution coverage and logistics. The group consists of such metrics as workload, sales force effectiveness, compensation, sales pipeline, product category volume, total distribution, inventories, direct product profitability, etc. [Farris et al. 2010, pp. 181-186]

Pricing strategy. Group number six is primarily concerned with price optimization for the maximization of profits, taking into consideration price sensitivity. Pricing strategy can be evaluated based on price premium, reservation price, price elasticity of demand, optimal price, residual elasticity, etc. [Farris et al. 2010, pp. 219-221]

Promotion. The group concentrates on price methods of promotion, such as coupons, rebates, trade allowances and price promotion. It includes such metrics as baseline sales, incremental sales, redemption rates, costs for coupons and rebates, percent sales on deal, pass-through, etc. [Farris et al. 2010, pp. 263-266]

Advertising media and web metrics. The eighth group concentrates on the effectiveness of advertising, taking into consideration such aspects as reach, frequency and impressions. It also includes web-metrics and customer response to advertising. The group consists of such performance indicators as impressions, gross rating points, cost per thousand impressions (CPM), net reach, share of voice, pageviews, clickthrough rate, cost per order, number of visits, bounce rate, downloads, etc. [Farris et al. 2010, pp. 287-293]

Marketing and finance. Finally, marketing effort can be evaluated from the position of finance. The following indicators constitute the group: net profit, return on sales (ROS), earnings before interest, taxes, depreciation, and amortization (EBITDA), return on investment (ROI), economic profit (or economic value added, EVA), net present value (NPV), internal rate of return (IRR), return on marketing investment (ROMI), etc. [Farris et al. 2010, pp. 337-339]

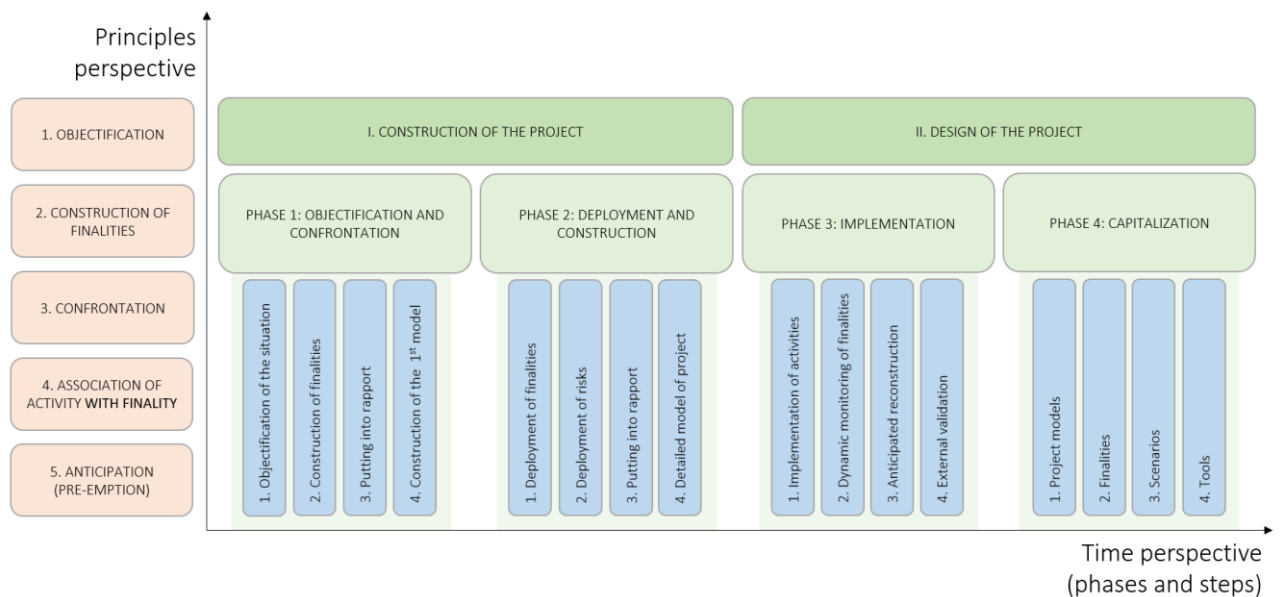
The range of marketing metrics and goals described and structured by [Farris et al. 2010] to a significant extent coincides with the performance measures and goals the financial and marketing perspectives of the BSC operate with, which additionally supports the relevance of the two perspectives for the marketing projects.

1.2.2. Marketing project framework by Gidel, Gautuer and Duchamp

While the literature about strategic goals setting and performance measurement is rich both in terms of metrics to be used and frameworks that help construct goals setting and performance measurement systems, the field of marketing project goals setting and performance measurement is primarily filled with the information about metrics and performance measures, but lacks comprehensive goals setting and performance measurement frameworks.

The decision-making framework proposed by [Gidel, Gautuer and Duchamp 2005] can serve as a starting point for the further linking of new project acceptance decision-making process to the management accounting system design.

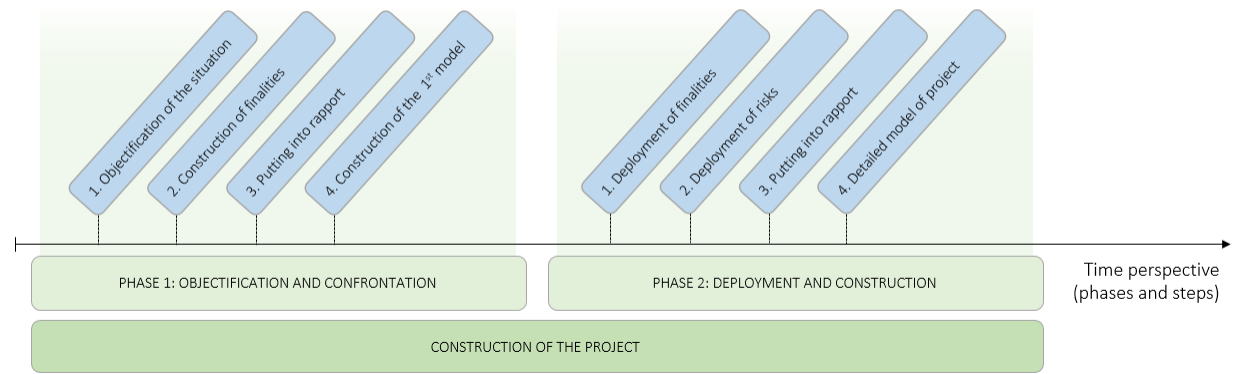
In general, the model consists of two dimensions: (1) principles, and (2) phases, with a sublevel of steps. It can be stated that the phases dimension reflects the time perspective, with the subsequent phases and steps occurring later in time than the previous ones, while the principles dimension overlays the process and refers to each phase, even though not to the equal extent (see *Picture 4*).



Picture 4. New product development framework

Source: adapted from [Gidel, Gautuer and Duchamp 2005]

In terms of adaptation of the model to the present thesis, only the first two phases mentioned in the framework appear to be relevant, since they refer to the preparation stage when decision-making on a project is made, not to the implementation itself, since the project already exists (see *Picture 5*).



Picture 5. The construction of the new product development project

Source: adapted from [Gidel, Gautuer and Duchamp 2005]

Phase 1: objectification and confrontation. The first phase in the model pursues two basic goals: (1) to formulate the problem, and (2) to construct a shared decision-making framework. In order to do so, four objectives (steps) should be accomplished. [Gidel, Gautuer and Duchamp 2005]

Step 1.1: objectification of the situation. The first step is based on different pieces of information, which act as the starting point for the whole process design. Firstly, in case of a product development project, the general concept of the product, as well as the understanding of the needs and the services expected should be elaborated. Secondly, the vision of the result (in the present case, the new product) should be aligned with the corporate ambitions and the stakes associated with it (Why was the project chosen? How does it fit the company's strategy?) – i.e. supported from the viewpoint of reasons for its existence. Thirdly, attention should be drawn to the resources available for the project: material and human resources, as well as additional information (cases of similar projects already implemented or being in the process of implementation). Based on the resources data, responsibilities and roles of the participants are to be clarified. Fourthly, the objectification implies understanding of the restrictions the project has: premises, distances, schedules, deadlines, budget, etc. Fifthly, each project has stakeholders it should at least be aware of, at maximum – take into consideration and manage properly. At this step, these are mostly the partners with the company the project is implemented who care about the progress or the results of the project. Finally, all the additional restrictions coming from the external (for the project) environment, such as organizational procedures, legislation, corporate culture, communications, confidentiality etc. are to be taken into consideration. [Gidel, Gautuer and Duchamp 2005]

Furthermore, the idea of the first step is to construct the common perception and the representation of the situation, that take into account vision of each person involved (ideally). The

authors build the step's description upon the concept of 6W (What, Who, Where, When, Why, hoW), trying to take into account as many aspects relevant for the initial step of the project development as possible, based on a classic approach. [Gidel, Gautuer and Duchamp 2005]

Step 1.2: construction of the finalities. The objective of the finalities construction step is to produce the finalities shared by all the participants of the project, which also rests upon the understanding of the customers needs for the product (in the case of new product development project). During the step, participants' individual goals are to be analyzed, in order to produce a set of meta-finalities shared by the entire project team. These finalities should be structured, organized and hierarchical. The goals are to be structured in terms of performance of the product or service developed, as well as degrees of innovation, communication, risk-taking, monitoring, and other areas. During the second step, a form of semantic data processing operation should be carried out. This means, the participants express their thoughts about the designed process verbally, thus producing necessary data, which has to be systemized for further analysis. In order to do so, the authors propose the KJ method². As a result, the most finalities at the core of the project are expected to be summarized and shared by the participants. Quite the same result can also be achieved with the other methods, such as the method of the logic framework or the cognitive cards method. At the end of the step the authors recommend to produce a clarification memorandum, developed by a project manager and approved by the executive management. [Gidel, Gautuer and Duchamp 2005]

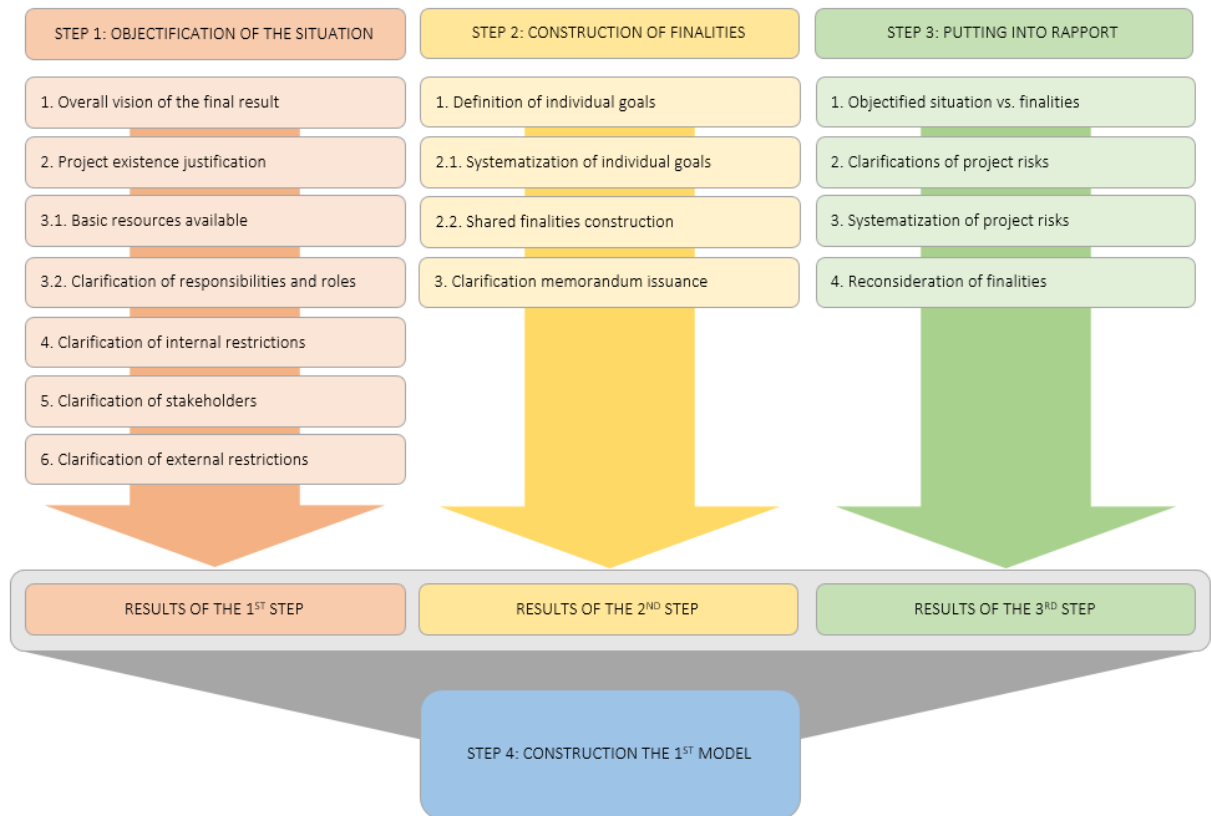
Step 1.3: the finalities versus the situation confrontation. The third step uses the results of the previous two in order to explore the risks of non-achievement of the finalities, as well as provide a common vision of the risks, and of possible consequences. The risk analysis procedure starts from the study of the areas presented at the first step, with the finalities designed at the second step. This comparison of finalities with the objectified situation, updated with the analysis of risks involved, provides the desired effect of confrontation. As a result, the risks related to the project are systemized and analyzed, while the finalities are corrected or reconsidered in terms of their perception and understanding. [Gidel, Gautuer and Duchamp 2005]

Step 1.4: first model of the project. The main objective of the step is to summarize the results of the previous ones and to combine them into an integrated concept, with the vision of the project, its goal in general (e.g. a new product), finalities and their link to the perceived situation, as well as the risks related to it. The results are recommended to be presented in the form of

² The KJ method was developed by Professor Kawakita Jiro – a Japanese researcher who originally studied the needs of remote Nepalese villagers in reference to water supplies and rope-way transport. The method itself is mainly based on specific and factual data, which originates from the experiences of participants of the research. It allows for regrouping of observations collected into categories “by affinity”, which provides objective – but not biased – logic of analysis.

statements, validated by the project team, and (if necessary) by senior or executive management. In fact, this step is one of the most important ones in the framework presented, since it significantly defines the shape of the project, thus becoming a kind of a reference point for the further steps to come. [Gidel, Gautuer and Duchamp 2005]

The logic of the first phase is illustrated in the *Picture 6*.



Picture 6. The first phase of the construction of new product development project

Source: adapted from [Gidel, Gautuer and Duchamp 2005]

Phase 2: deployment – from finalities to action. The main goal of the second phase is to state all the finalities on the operational level, and then convert them into action. The model of the project, initially designed as the result of the first phase, should become more detailed, accompanied by the list of risks associated.

Step 2.1: deployment of the finalities. The main idea of this step is to provide the overall project finalities in the form of operational objectives. Different approaches to the problem are applicable, e.g. a functional analysis, with the further breaking down of those into three components: gathering, processing, and transmission of information (as prescribed by ADIP). To each of these aspects, there exists a relevant basic function of the process (information). As an alternative, the authors propose the usage of management by objectives instruments, such as

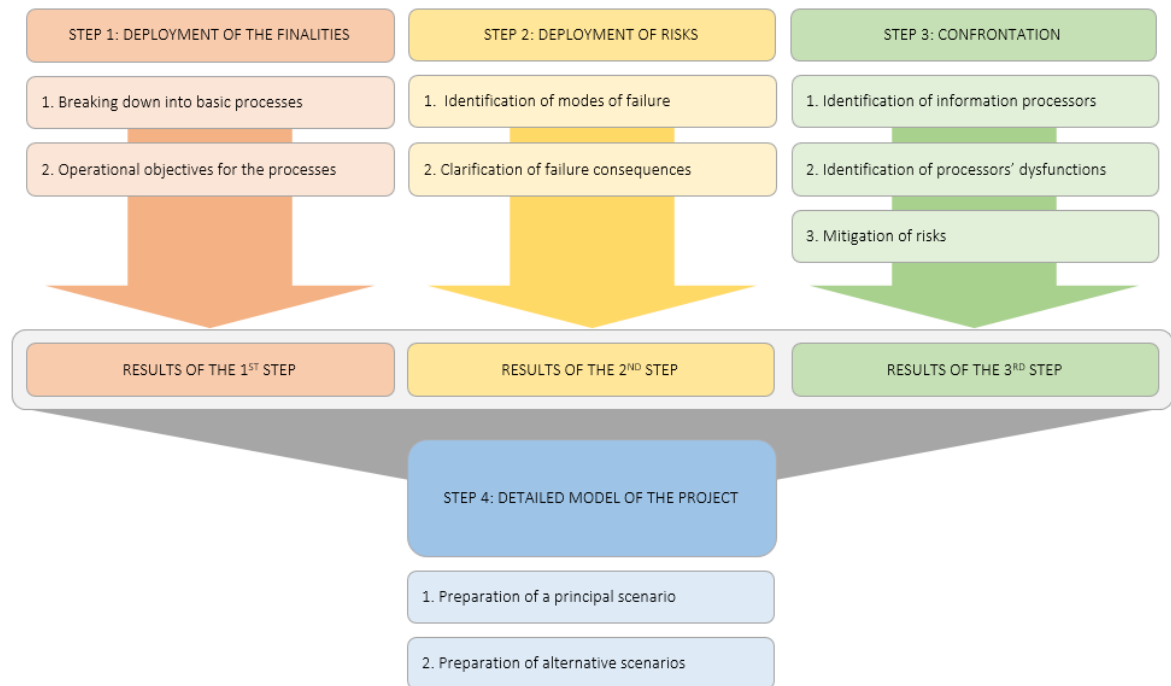
HOSIN (breakthrough management) or SHIBA (quality policy deployment). [Gidel, Gautuer and Duchamp 2005]

Step 2.2: deployment of risks. The step is primarily aimed at specifying the various modes of failure of each participant, taking into consideration the reasons and the possible consequences of those. At this step, the authors recommend to use problem-solving tools, like Ishikawa diagrams, brainstorming and the KJ method. The analysis of modes of failure can be based on the existing corresponding databases in order to perform it more thoroughly. [Gidel, Gautuer and Duchamp 2005]

Step 2.3: confrontation. Once finalities and risks are linked together, their shared deployment can be performed, which results in an operational project model. As a means of carrying out the deployment, the authors recommend to use the AMDEC project, as it is recommended in the ADIP method. It is expected that as a result, the information processors will be identified and – what is more important for the step – dysfunctions associated with them, that arose in the process. The identification of the potential failures is an intermediate stage, with the follow-up stage of trying to reduce the possible risks or accept them. In this case, the authors propose the analysis based on the comparison of the risks against the expected profits and benefits. The situation represented with these three aspects serves as a fundament for the search of the compromise formalized in a project scenario. The major objective of the step is to analyze the basic functions within the process that refer to the treatment of information in relevance to their modes of failure and their effects on the project. [Gidel, Gautuer and Duchamp 2005]

Step 2.4: detailed modelling of the project process. As in the previous phase, the present one also results in a model, but in this case in a more detailed one – a principal and alternative scenarios, if needed. The scenarios include the actions needed to implement the processes that refer to the project, such as the product designing (if it is the case), costs management, control of deadlines, human and material resources management, communication, quality management and adaptation of the strategy to the context of the project. All of the scenarios are followed by the lists of risks related to them, which are to be monitored and analyzed. The approach is expected to make the project manageable in the following steps, reducing the causes of risks and consequences, or enhancing the quality of risk-detection. [Gidel, Gautuer and Duchamp 2005]

The logic of the second phase is illustrated in the *Picture 7*.



Picture 7. The second phase of the construction of new product development project

Source: [Gidel, Gautuer and Duchamp 2005]

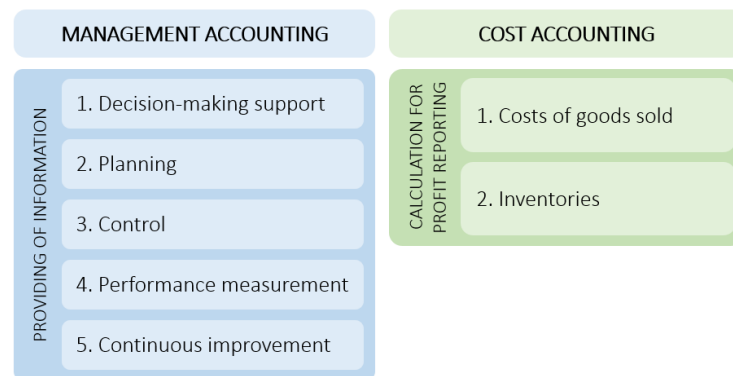
1.3. Theoretical concept of management accounting system

Among the information systems a company can have, management accounting system (MAS) stands out both in the sense of historic and practical importance. Over the years, from the appearance of the first management accounting systems to the current state of their development, a lot of definitions of them were given [Rom and Rohde 2007]. The definitions are based on various approaches and have different focuses, while the concentration on the tasks of management accounting system appears to be the most relevant for the present thesis.

The idea lying behind the tasks-oriented definition of management accounting system states that technologies (with MAS being an example of those) usually evolve as a response to specific tasks, with their own requirements justified by practice and experience [Rom and Rohde, 2007]. From this point of view, MAS can be defined as a set of tasks designed to achieve the company's goals. According to [Drury 2012], the tasks of an accounting system can be split into two groups: (1) providing of information, and (2) calculation for profit reporting (both for internal and external parties). The first group is represented by providing information for decision-making support, planning, control, performance measurement and continuous improvement. The second one consists of calculation of costs of goods sold and of inventories³. The tasks that refer to the first group, in the context of definition, can be qualified as those of a management accounting system, while the tasks of the second group refer to cost accounting. In the context of the present

³ Inventory and stock are used as synonyms in the present thesis.

thesis, management accounting system includes both management and cost accounting. The grouping of management accounting system tasks is represented in the *Picture 8*.



Picture 8. Tasks of accounting system

Source: adapted from [Drury 2012]

The information a management accounting system provides intended for decision-making support is required to represent the necessary segments of business, such as products, customers, marketing channels from the viewpoint of profitability (which implies not only the data on the profit itself, but also its structure and the way of its generation). The information support is also needed for the purpose of resource allocation, product mix management and discontinuation decisions, as well as pricing. [Drury 2012]

Considering planning in the management accounting system context implies translating goals and objectives into specific activities and corresponding resources necessary to achieve them. This definition is consistent with the structural aspect of goals setting, that can be implemented, for example, through the application of BSC. In the process of long-term and short-term plans development, management accounting system plays a significant role. The short-term plans, developed through the process of budgeting, are more specific than the long-term ones, and due to this property, they allow for the support of control and performance evaluation. The process of control rests upon the standards or targets defined by the procedure of budgeting, with the subsequent comparison of actual performance against the budgeted figures. [Drury 2012]

The role of management accounting system is primarily based on the feedback information and the reports it can provide on a regular basis or upon the request. With the usage of the data provided by MAS, deviations and variance analysis can be performed, in order to investigate, whether the activities under research are performing according to the plan or not. If not, the areas where additional attention and possible corrections are needed, should be identifies, which can also be done on the basis of the data provided by the management accounting system. Overall, the value of the information analysis provided by MAS can be expressed as the enhancement of the performance of various operations subject to such kind of analysis. [Drury 2012]

CHAPTER 2. DESIGN OF MANAGEMENT ACCOUNTING SYSTEM FOR MARKETING PROJECTS

The main goal of the second chapter is to construct the MAS framework for marketing projects and apply it to a practical case. The process of construction is based on decomposition, rearrangement and adaptation of the model proposed by [Gidel, Gautuer and Duchamp 2005] to the specificity of marketing projects. As a result, the goal setting framework for marketing projects is constructed. This framework is used to link strategic goals of the company and the goals of a marketing project to the company's MAS. The result of the process is the management accounting system framework for marketing projects.

In order to test the constructed framework and to illustrate its practical utility, the framework is applied to the case of new product development project in the Baltika Breweries company. The company's MAS is audited based on the management accounting system framework for marketing projects developed earlier. As a result of the audit, the gaps (differences) between the current state of MAS for marketing projects in Baltika Breweries and the framework are identified and analyzed. Based on the analysis, managerial implications are developed, with the results generalized.

2.1. Development of management accounting system framework for marketing projects

The management accounting system framework for marketing projects is developed in two steps. Firstly, the goals setting framework for marketing projects based on the model by [Gidel, Gautuer and Duchamp 2005] is developed. Secondly, the goals setting framework is transformed into the management accounting system framework through the development of implications for MAS.

2.1.1. Construction of goals setting framework for marketing projects

The model proposed by [Gidel, Gautuer and Duchamp 2005] is used by the author to construct the management accounting system framework for marketing projects. At the first step, the model is decomposed. As it can be concluded based on the original configuration of the model, the first two phases of the process behave in a cyclical manner: based on the results of the first phase, the second one follows similar steps, but does it in a more detailed and precise way. From the viewpoint of the information that a company's MAS can provide to support goal setting for marketing projects, some of the components of the framework appear to be similar and therefore redundant.

Objectification of the situation, which is the first step of the first phase and is the input for the further analysis performed during the phase, is analogous to the role the whole phase plays –

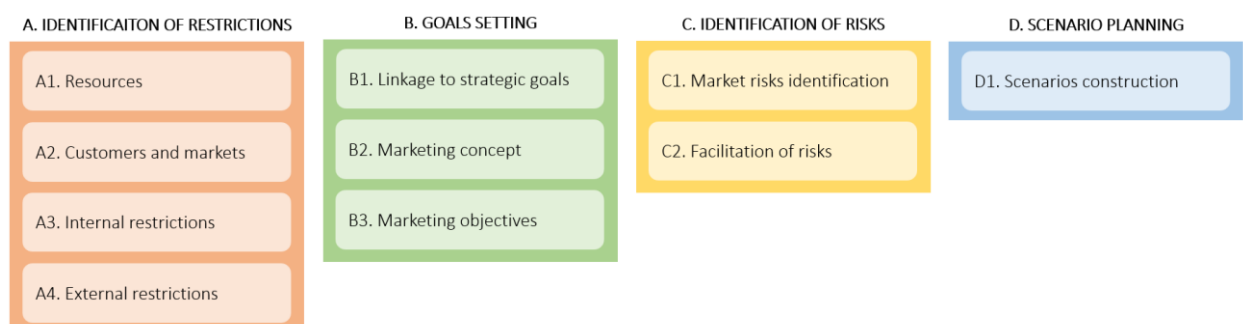
the one of an input for the second phase. It provides the necessary contextual restrictions needed for further steps.

The construction of finalities step (the second step of the first phase) is indirectly derived into the deployment of the finalities by specification and decomposition of the results of the construction step. The collection of the participants' individual goals vision and their further systematization, resulting in the construction of shared finalities and issuance of the clarification memorandum, is followed by the consequent revisiting from the viewpoint of processes. This step could have been an integrate one, but it requires additional intermediary steps for the decomposition to be done properly. But in terms of the support from the management accounting system, it is a solid construct.

The third step of the first phase – putting into rapport – corresponds to the two steps from the second phase: deployment of risks and confrontation. Just like deployment of risks, it deals with possible sources of risks and their consequences, and it results into the confrontation phase, with its mitigation of risks, resembling the reconsideration of finalities, that are also adjusted for the risks identified. From the viewpoint of MAS application, the activities within the steps can be categorized into two groups: risk identification and goals setting.

Finally, both phases end with modelling of the project, summarizing the results obtained throughout the steps passed during the phases. In the terms of management accounting system, it is a separate procedure, which incorporates all the information provided, to generate new knowledge.

The decomposition of the framework by [Gidel, Gautuer and Duchamp 2005] can be rearranged for the purpose of the present thesis, based on the following criteria proposed: (1) similar needs for the information provided by MAS, and (2) common functional aspects of project. According to the criteria, the author has identified four modules: (A) identification of restrictions, (B) identification of risks, (C) goals setting, and (D) scenario planning (see *Picture 9*).



Picture 9. Modules of goals setting framework for marketing projects

Source: author's analysis

For the purpose of further construction of management accounting system framework for marketing projects, the modules of goals setting framework should be specified and systemized. Each module consists of the group of actions needed for the proper goals setting of a marketing project.

Module A: Identification of restrictions. The components of the module refer to the specifications that help define the project's scope, limitations, as well as provide basis for further goals setting and risks analysis.

A1 – Resources. The resources a marketing project may have are represented by three groups:

- human resources (all staff directly or indirectly related to the implementation of the project: sales specialists, marketing managers, and production employees);
- material resources (such as raw and packaging materials for new product development projects);
- additional information (systemized data about similar marketing projects implemented within the company or outside it, which might contain useful insights relevant for the current project).

This category of resources poses initial restrictions on the capacities the marketing project might have and generally limits the scope of it but extends the understanding of the possible issues that might arise.

A2 – Customers and markets. Customers put their specific requirements and restrictions in terms of product design, its features and additional services. Furthermore, customers define market limits, potential and opportunities for the project. This group of restrictions includes market trends, market segment sizes, market growth potential, etc. Those accountable for the project should be aware of the restrictions coming from the market and develop relevant approach to these restrictions.

A3 – Internal restrictions. Restrictions of this category are classified as internal, since they appear due to or in reference to the marketing project and/or can influence it directly. This category includes the following sources of restrictions:

- premises (manufacturing lines, production process specifications, etc.);
- distances (geographical issues related to the project, such as relative positions of plants, sales units, logistics centers, etc.);
- schedules and deadlines (any time limitations related to the project, that appear both with the project or independently from it);

- budgets (upper level goals set through budgets or financing limitations prescribed for the project);
- etc.

A4 – External restrictions. The external restrictions category embraces the requirements arising from the external (from the position of the marketing project) reasons and/or do not influence the project directly. The areas that constitute the restrictions category are represented by the following issues:

- organizational procedures (standards of processes composition, document flow, authority restrictions and corresponding consents, etc.);
- legislation (taxation rights, transfer pricing, product specifications, etc.)
- etc.

Module B: Goals setting. The goals setting module concentrates on the activities that refer directly to the goals of the project, and the integration of those into the system of company's goals.

B1 – Linkage to strategic goals. The justification of the project brings different pieces of information related to the reasons for the project's initiation together. These might be results of marketing research or business intelligence analytics; realization of long-terms strategy related to consecutive introduction of "green" products; or a simple observation of a salesperson which might indicate the whole new era for a business. This component of the module should refer to corresponding inputs expressed through the company's strategic goals from the financial and customer perspectives (e.g. to the goal of increasing operating profit or market share). In fact, this is one of the key points when strategic goals interact with those of a project. And this is where it is very important to indicate whether a project in question is linked to company's strategic goals or not. This does not necessarily mean that a non-strategy-relevant project should be abandoned, but this adds an essential aspect that has to be taken into consideration while deciding whether to launch a project or not, and which goals for to set.

B2 – Marketing concept. Each marketing project, being a unique establishment by its nature, should have clear vision of the final result, and this component does not imply exact goals setting, but rather the understanding of the product developed, its holistic nature and corresponding comprehensive approach to be applied (sales, promotion, marketing communications, pricing, distribution, etc.). At this step, the project should be a solid construct, with clear understanding of what it leads to and by what means it can be implemented.

B3 – Alignment of objectives. Once a project is linked to particular indicators from the company's system of strategic goals, accompanied by the framing values that state the overall goals to be achieved by the particular project, as well as the means by which it has to be done,

operational objectives can be stated and checked for exact alignment with strategic goals. The alignment is performed through the estimation of the nature of the performance measures and indicators use for the goals setting: they should originate from the same perspective and be linked into a cause-and-effect relationship.

Module C: Identification of risks. The module is mainly devoted to the detection of risks within the project or those outside of it, which can influence the project's performance, and further actions to be taken in order to manage them properly.

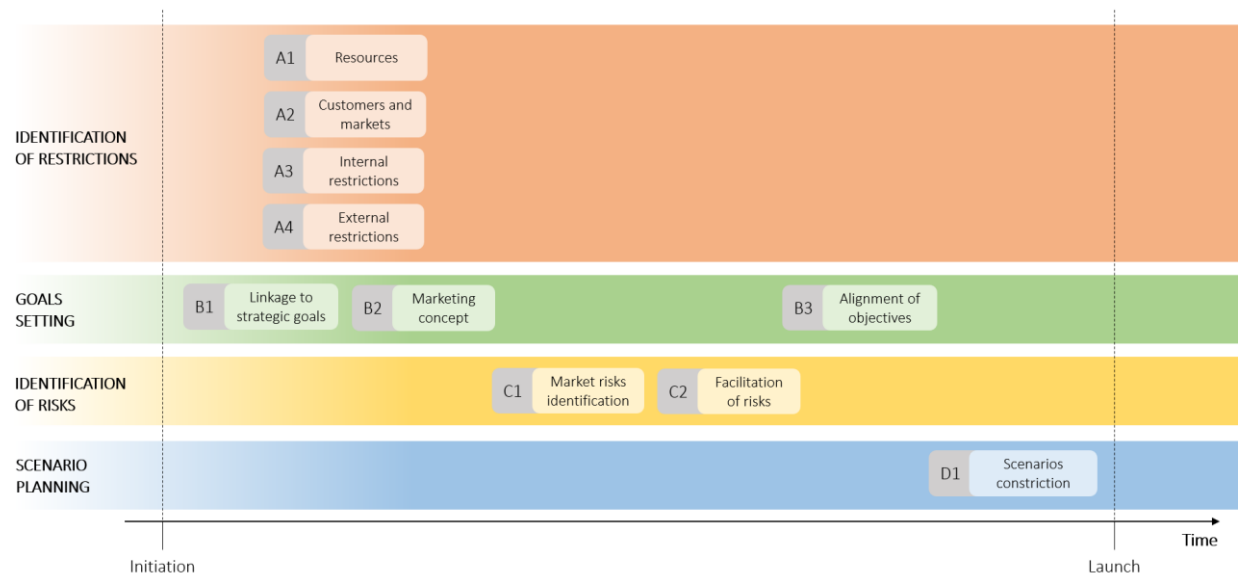
C1 – Market risks identification. The component deals with the risks that might occur mainly (but not only) due to the restrictions and their interaction with the goals. The risk sources are identified in the process of confrontation of the goals against the restriction. In the ideal situation, they are balanced, and the risk probabilities are the lowest, but in fact they always exist, and those areas where the tightening of restrictions or underachievement of goals are possible, should be taken into consideration and marked as risky.

C2 – Facilitation of risks. Once the risk sources are identified, the risks associated with them are to be put under control. This can be done by either reduction or acceptance. One can address these risks directly (for example, the risk of underachievement of targeted sales level can be mitigated by additional motivation for salespeople) or indirectly – by relaxation of restrictions (e.g. percentage of discounts available for salespeople) or changes in goals (e.g. reduction of target sales levels). In general, the purpose of this component is the adjustment, that it can provide for restrictions or goals within the project, in order to make them more realistic, which is crucial for goals setting.

Module D: Scenario planning. The module (and its only component) is designed primarily to integrate the information provided by the other three modules. It uses all the data obtained previously as an input and results into the holistic picture of the perspectives the project has.

D1 - Scenarios construction. The major assumption of the component is that at least two scenarios are considered (e.g. positive and negative, or a principal and an alternative ones), but the maximum number of scenarios is not limited. The scenarios put together all the information contained in the other three modules but do it in a flexible manner: they allow for choice of actions in response to a particular state of the environment, expressed in the model through the combinations of restrictions, goals, and risks. As a response to the results of the scenario calculations, the project's operational objectives are to be adjusted (if necessary) and finalized, thus completing the goals setting for the project.

The mutual disposition of modules, as well as the sequence of their development is presented in the *Picture 10*.



Picture 10. Marketing project goals setting framework

Source: author's analysis

2.1.2. Construction of management accounting system framework for marketing projects

Module A: Identification of restrictions.

A1 – Resources. Material resources play an important role in the management accounting system. Firstly, they refer to the cost accounting group of tasks, with the relevance for both calculation of costs of goods sold and inventories. As a part of those, materials account for a significant share of variable costs. For the proper cost accounting, MAS should contain historical data about the names of materials, dates of their purchase and number of stocks, as well as a unit cost of all the materials for the possibility of further use of the data for the cost of goods sold calculation. Secondly, cost of materials might refer to decision-making. For example, sales price of an SKU might not be enough to cover the high cost of a unique material used, and in this case, a decision to redesign a product (e.g. to change its price and positioning or to change the unique ingredient for a cheaper alternative, is possible without decrease of perceived customer value or with an insignificant one). Thirdly, material costs play their role as a component of planning, control and performance measurement. As components of variable costs, they are considered to have effect on financial results in the future, which means they have to be planned and budgeted, as well as further controlled. Finally, during the implementation of the project, as well as at the end of it, material costs should be properly managed (for example, regular purchase of materials abroad puts the project at currency risks), and in order to do so, the company should measure and monitor the performance through the reporting, as well as compare it against the budgeted figures, which is done with the support of MAS.

Additional information about the project cases, similar to the one considered, might come from the two directions: external and internal. While the external one mostly refers to the data

obtained through the functions of business intelligence and marketing research, and not directly to the management accounting system of a company, the internal source is considered more relevant. In fact, this implies that projects of a similar type within a company are managed in a similar manner, with the data collected and used in the management accounting system in a standardized and (preferably) comparable format. If such cases exist, it is important to have all significant aspects fixed in the form in order to be able to quickly access the data and use it. In order to provide such an opportunity, management accounting system contain have a project profile (previously mentioned), as well as a database, where all the important data referring to the project exists, along with the results of the previous development steps in case of the current project.

From the position of management accounting system, human resources involved in the projects are also considered as costs. These refer to the two major categories: direct and indirect labor (personnel) costs. For a manufacturing company, in the first case, direct labor costs are represented by the wages of the production employees, which refer to the direct variable costs, as they depend on the amount of the goods produced. Indirect labor costs, such as salaries of the office staff (specialists and managers) that are working on the project, do not directly refer to the project and usually are not allocated to that within the management accounting system due to their irrelevance (the employees would have worked, even if the project did not exist), but still constitute a costs category within the system.

A2 – Customers and markets. This category of restrictions might affect almost any component of management accounting system, especially for market-driven companies. The price level, market size and potential, customer trends, the perceived quality of the product, etc. In fact, these restrictions define and shape the project in the most specific way and serve as the major point of opportunities and risks.

A3 – Internal restrictions.

Within a management accounting system, premises serve as a capacity restriction for the project. It is unlikely that this restriction triggers and plays its role in each new marketing project case, but while planning manufacturing for the project, the information about the capacities, expressed by the amount of production, its speed and specific features (e.g. possibility of production of a certain type of good at a certain plant) should be available. Even if premises do not restrict the current new product development project, they are of extreme importance for the production management, and thus corresponding information about the project should be timely fixed and delivered. For this purpose, MAS should contain all the manufacturing plants of the company, with the information about their current and maximum workload, number of assembly lines, speed of production, time needed for the preparation of a new launch, possibility of manufacturing at particular plants, etc.

Distances as project limitations in the context of management accounting system should be considered from the position of time and logistics costs. As a part of the system of marketing channels, distances define whether it is possible to get a good from a certain place (e.g. a plant, a wholesaler, point of sales, etc.) to another one or not, and if yes, how much time it takes and how much it costs. So, it is not only a restriction, but also a group of related costs. Time costs in MAS are an issue of planning and control, as well as that of subsequent performance measurement, since company's and project's goals (budgets) are linked to specific time periods and points. For these purposes, MAS should allow calculation of time needed for the transportations (or access to the figures calculated) that depend on the distances, as well as real-time information about the actual state with the physical movement over the distances. Another issue related to distances is the logistics costs. These can be considered as both fixed or and variable costs, as well as direct and indirect ones. So, MAS should be introduced to these categories of costs, as well as allow to use them for all the management accounting tasks, as well as costs calculation.

Schedules and deadlines behave in a similar way as time limitations and costs, mentioned in the distances category: they shape the use of resources and achievement of goals. In fact, schedules and deadlines are the key points for planning and control, even though they are applicable to the other tasks areas as well. One of the most important issues related to these restrictions is that if schedules and deadlines change, goals must change as well. That is why a company's management accounting system should be capable of tracing all the necessary indicators, categories and their values over time: otherwise they become obsolete and irrelevant.

Budgets, as a means of planning, combine all the tasks a management accounting system should perform and spread them over the time perspective. Budgets serve as an instrument of goal setting, control (e.g. to check whether a newly launched product sustains the planned sales volumes) and performance measurement (with the metrics calculated on the basis of the data included into the budgets, allowing for these evaluations at each step of data update). Management accounting system should contain all the budgets relevant for the new marketing projects, giving authorized users access to the necessary decompositions.

A4 – External restrictions.

Organizational procedures, from the viewpoint of management accounting system, define access to certain pieces of data in terms of editing and browsing. This mostly refers to cost accounting and control issues. In fact, organizational procedures in the way they are considered in the thesis, mostly refer to the speed at which changes in MAS can occur but does not significantly influence the changes themselves or the goal-setting from the viewpoint of figures.

Legislation as a part of restrictions should necessarily be considered within the management accounting system. Ideally, MAS contains information about the relevant legislation

principles, while the process of their application is automated. VAT taxation, as a part of legislation can serve as an example of such automation approach. Within a management accounting system, products or contractors can be categorized into different groups, according to the way they are treated from the position of VAT. Once assigned a group, operations involving VAT that refer to specific products and contractors can be treated accordingly. In case the procedure is not automated, the system should still contain data about VAT approaches and groups.

Furthermore, legislation restrictions represented by product specification might be a significant issue for a MAS of a manufacturing company. Dairy products manufacturing industry can be cited as an example. The companies operate with different types of products, definitions of which are to a certain extent secured in legislation (a company can use any brand name, but what, for example, can be called a 3.5% fat milk in terms of ingredients and production process is prescribed). In such a case, products are more sensitive to changes in ingredients (such a change might turn one type of product into another), which makes costs management more legislatively restricted and rigid, since the space for changes shrinks. In order to simplify the process of product design and the corresponding processes, management accounting system can provide definitions of main (prescribed/standardized) product categories, thus restricting the relevant legally defined categories from being violated (e.g. a dairy manufacturing company does not sell a 50% fat butter – which is actually a spread – claiming it to be a 72,5% one).

Module B: Goals setting

B1 – Linkage to strategic goals. From the viewpoint of management accounting system, linkage serves as a set of reference measures in the company's strategic goals system, that define the scope of the project and its significance. MAS should contain the data about the indicators used for strategic goals, the perspectives they refer to, and the way the indicators are calculated. Otherwise it can be concluded that the goals are stated insufficiently clear for the linkage to occur.

For example, if a company is considering launching a low-margin product that will probably significantly increase the company's market share, it has to be sure that the increase of the market share is currently more important for the company than profitability (and how they are estimated).

In general, linkage to strategic goals serves as a framing concept, which initially provides reference points which sustain the rationale for a project to exist, and later it helps organize decision-making support, planning, control, performance measurement and costs calculation within management accounting system.

B2 – Marketing concept. From the viewpoint of management accounting system application, development of marketing concept follows linkage as the next step and is based on the results of the previous one. Once the project's existence is linked to the company's strategic

goals (stated to which of those it refers), these must be specified in terms of overall results (e.g. achievement of particular market share, reduction of average variable costs to a certain level, etc.). In addition, there should appear the understanding of how these goals could be achieved. For example, these could be the launch of a new product, rebranding of an existing one, cost cutting, etc. As a result, MAS should contain all the information about the marketing instruments to be used (e.g. amount of rollups available, costs per unit of good produced, etc.).

B3 – Alignment of objectives. In terms of management accounting system, there appears a list of specific values that frame the specific result of the project: the indicators used and their values that are considered aims; decision-making criteria for the project acceptance, such as different levels of sufficiency of the results, or thresholds: sales volumes, various margins, price levels, etc. In comparison to the linkage to strategic goals, the system should also contain exact values of target values of strategic performance indicators for the estimation of effects to be possible.

Module C: Identification of risks.

C1 – Market risks identification. The market risks analysis itself does not provide additional implications to management accounting system, since it fully relies on the data obtained from the other modules. What it adds is the questioning of the values claimed in the marketing concept in the context of the market the company operates on. The contrasting of the vision against the restrictions identified helps identify possible flaws in the goals expected from the project, which indicates the incorrect initial estimation of the project's potential. The component helps state that some of the aspects of the project introduced to the management accounting system have to be revisited and probably reconsidered and rebalanced.

C2 – Facilitation of risks. The component chronologically follows the identification of market risks. In the management accounting system, the risks are addressed either by changes of the values (in such a way that it is likely to lead to reduction of risks) or leaving them as is, but providing additional argumentation (in fact, argumentation is obligatory either way, but in the case of indirect approach to the facilitation, there exist factors that are not necessarily contained in the management accounting system, but can refer to the facilitation of risks of a particular marketing project.

Module D: Scenario planning.

D1 - Scenarios construction. In the context of management accounting system, construction of scenarios is represented by a set of calculations and their results, performed in a similar way, but based on different input figures. It is not necessary that these values differ in each line of the calculation depending on the scenario – on the contrary, only significant from the viewpoint of decision-making variables are to be varied across the scenarios while the rest might

remain the same (for example, packaging costs per unit are unlikely to vary, when the main risk source is the underachievement of sales volume). Construction of scenarios allows for the full vision of the project, with all of its components (modules) put together within a management accounting system. Once the modelling is complete, corrections can be done in the modules of restrictions management and goals setting. When these modules are adjusted on the basis of the results of risks analysis, the goals can be finalized and the project – if it fulfills all the necessary conditions – launched.

The abovementioned components depict the developed management accounting system framework for marketing projects, which can be used in several ways, including:

- construction of marketing project goals setting procedure;
- construction of management accounting system in response to marketing project goals setting procedure;
- audit of management accounting system in terms of its relationship with marketing project goals setting;
- correction of management accounting system and/or of marketing project goals setting procedure.

2.2. Application of management accounting system framework: Baltika Breweries

The paragraph is devoted to the application of the previously developed framework to the case of Baltika Breweries.

2.2.1. Research methodology

The framework designed in the previous section is a practical instrument, which allows for construction or redesign of the new marketing project goals setting process in terms of application of management accounting system.

Method and data. In order to demonstrate high practical value of the framework, a single-company case study is considered an appropriate method, with several reasons motivating the choice. Firstly, the framework developed uses a highly sensitive type of data about the company's internal goals setting processes, current goals set, the structure of management accounting reporting, etc. Even without exact figures describing the issues mentioned the information can be considered commercially sensitive. Secondly, the collection of the data is unlikely to be performed in a "massive" way, but rather can be obtained through the tailored interaction with the company, the practice of which is being studied. The information cannot be collected from public sources or databases, as well as limited-access ones, since it cannot be represented in a systemized manner suiting the format of a database.

As it can be concluded from the abovementioned, the choice of research methods is significantly restricted by the nature of phenomenon under research, with a single-company case study suiting the format, thanks to several features of it:

1. *Opportunity to dive into the problem.* A single-company case study implies relatively regular contact with the representatives of company, with the data collection restrictions specifically defined for each particular case. This means, any data about the company can be collected, once it does not object against.
2. *High specificity.* A business (or a part of it) as an object of research has its own unique features which cannot be precisely captured by many methods, but a single-company case study, due to its link to a particular company, can allow for such a specification. Case study is a valuable method when identifying how a theoretical construct can be applied to a particular problem in a particular context.

Despite the advantages a case study as a method has several significant limitations:

1. *Relatively low generalizability.* Even though a theoretical concept applied within the case study might initially be a universal one, its transformation and adaptation to the context of specific company, with its unique environment and history, makes the results highly specific as well, even though those can be generalized to a certain extent.

2. *Possibility of the researcher's biasedness due to the exposure to the study.* While performing a case study type of research, the subject gets immersed into the complex environment, it starts interacting with the researcher as well – not only with the phenomenon under study, which might distort the results of the analysis, deteriorating the system cause-and-effect relationships.
3. *Use of qualitative data.* The type of data used in a case study is primarily qualitative, and even though it allows for additional specificity, it also required the data to be collected from different sources, in order to provide verification and completeness of the dataset.

Baltika Breweries (further – Baltika) has been chosen as a company and the environment for the investigation of the phenomenon. The company is a market leader on the Russian beer market both in money and volume terms, and it is present in non-beer categories as well (such as cider, soft drinks, energy drinks). The company has a portfolio of over 50 brands, which include regional (local), national (Russian), and international (mostly European) brands. Baltika is a part of Carlsberg Group – the holding which includes several brewing companies in Europe and Asia and which operates globally.

The company's approach can be characterized as market-driven, with strong influence of marketing and sales functions in terms of goals setting and implementation of strategy. The marketing project goals setting framework developed in the previous chapter, is especially relevant for market-driven companies, which have well-established sales, marketing and new product development procedures, which allows for the possible audit of those within the framework to be representative in terms of the company's practices. Furthermore, Baltika has a complex system of sales departments, divisions, brands, product development teams, etc., which justifies the necessity of sophisticated controlling supported by a developed management accounting system. The company operates on a B2B market, which increases the complexity of marketing instruments used and further justifies the applicability of the framework to the case.

In order to contain primary data about the management accounting system for marketing projects, a series of unstructured interviews with two commercial function (which includes brand marketing, trade marketing, sales and new product development functions) controlling department managers was held, as well as the study of internal documents (guidelines used for the explanation of calculation methods in reference to performance estimations) was performed (for the purpose of verification).

In the context of the present research, the company's strategic goals are not questioned, but rather used as reference points for linkage and alignment.

2.2.2. Audit of setting goals for marketing projects in Baltika Breweries

Module A: Restrictions management

A1 – Resources. Material resources are represented by the following categories of costs: (1) raw materials (cost of the liquid, e.g. beer, cider, energy drink, etc.), and (2) packaging materials (e.g. bottle, can, keg, etc.). Both are entered into the management accounting system by the production department, with the data firstly obtained at each plant and later aggregated and systemized for the overall business material costs representation.

Human resources refer to several groups of costs: (1) variable manufacturing costs, (2) sales (staff) costs, (3) brand management overheads.

The information about the projects implemented or developed is contained in the management accounting system in a systemized way, so that it is possible to access each of the project's components: overall description, motivation, estimated results and budgeted figures (plans), as well as the data about the project's actual performance.

A2 – Customers and markets. These restrictions mostly derive from the marketing research and business intelligence activities, that occur in the company on the regular basis and can refer to different aspects of the management accounting system: sales volumes (e.g. sales department's capabilities), price levels (e.g. pricing and brand management departments' restrictions), etc.

A3 – Internal restrictions. Premises play an important role in the system of internal restrictions and impose constraints upon (1) production volumes (number of units of SKU produced for the period), (2) plants at which SKU is produced (production lines are not universal, while production of some SKUs is localized) and corresponding (3) variable production costs, (4) fixed production costs (both in the scope of a plant or the whole company, depending on the premises where an SKU is manufactured).

As Baltika deals with physical transportation of goods, distances impose restrictions that must be reflected in the management accounting system. Firstly, taking into consideration the fact that some of the production lines are localized, management accounting system contains the information whether it is possible to deliver a good from the place where it is produced to the place where it is sold or stocked. Secondly, there are two categories of costs that depend on the distances and are represented in the management accounting system: (1) variable logistics costs, and (2) fixed logistics costs. Both are contained in the segment of database, where the information about distribution channels, sales divisions and departments is kept.

From the position of schedules and deadlines, each project introduced to the management accounting system is assigned the moment of launch (when the project starts), period of implementation (for how long starting from the launch the project will exist), sales and cannibalization volumes estimated within the period.

A4 – External restrictions. Legislative restrictions influence the design of management accounting system in two ways: (1) available-for-calculation approach to evaluation of VAT, and (2) excise duty evaluations. In fact, there is no full automation in reference to VAT calculation, but the company's system of prices contains the prices with VAT included and excluded, allowing for the use of the already processed data.

Excise duties are calculated in reference to a particular project, depending on (1) whether a project deals with import/export, and (2) whether the SKUs and services involved contain alcohol. In the first case, operations might not contain VAT, while in the second one, some SKU might be free of excise or have reduced excise duty.

Furthermore, there are governmental standards that define product categories, such as beer, cider, etc. (especially relevant for new product development projects). In terms of management accounting system, these standards are followed by the monitoring of matching between the claimed category of the product and the corresponding standard. The system contains the information about the "basic" recipes (e.g. porter, lager, pilsner, etc.), that can be modified and checked for category matching.

Module B: Goals setting

B1 – Linkage to strategic goals. Initially, when a marketing project emerges, it is linked to a market trend to be exploited (coming from marketing research or brand management department) or an observation (usually coming from sales department), and further – to the aim in the system of strategic goals this initiative could relate. If there is no such linkage, the project will probably be declined.

B2 – Marketing concept. To construct the vision of the project's result, benchmarks from analogous projects within the company are used: if a new marketing project resembles the other ones already implemented, it is constructed from the "pieces" of those based on maximum likelihood (e.g. analogous price levels, costs of raw materials, distribution system – logistics costs, etc.). Unique (new to the management accounting system) components – if possible – are constructed based on project-specific values.

At this point, sales volumes and possible cannibalization effects are estimated (especially relevant for new product development projects), distribution channels and sales departments are chosen, which subsequently defines discounts (the structure of these is preliminarily calculated by pricing, trade marketing and sales departments), packaging and logistics costs.

B3 – Alignment of objectives. When evaluating a marketing project, the company uses two approaches (depending on whether it is an OpEx or a CapEx project). In the first case, the objectives are set in terms of sales volumes, and four performance indicators for the first and the following years of the project (both per liter and total): (1) contribution, (2) gross profit after

logistics (GPaL), (3) gross customer contribution (GCC), and (4) gross brand contribution (GBC). The calculation technique of the indicators is described in the *Picture 11*.

PERFORMANCE INDICATOR	Contribution	Gross profit after logistics (GPaL)	Gross brand contribution (GBC)	Gross customer contribution (GCC)
CALCULATION TECHNIQUE	<p>Net Sales</p> <ul style="list-style-type: none"> - Raw materials - Packaging materials - Variable production - Variable logistics <hr/> <p>Contribution</p>	<p>Net Sales</p> <ul style="list-style-type: none"> - Raw materials - Packaging materials - Variable production - Variable logistics - Fixed production - Fixed logistics <hr/> <p>GPaL</p>	<p>Net Sales</p> <ul style="list-style-type: none"> - Raw materials - Packaging materials - Variable production - Variable logistics - Fixed production - Fixed logistics - Trade marketing - Brand marketing <hr/> <p>GBC</p>	<p>Net Sales</p> <ul style="list-style-type: none"> - Raw materials - Packaging materials - Variable production - Variable logistics - Fixed production - Fixed logistics - Trade marketing - Sales <hr/> <p>GCC</p>

Picture 11. Marketing projects performance indicators in Baltika Breweries

Source: author's research

Contribution is the indicator that measures business effect of the initiative (marketing project, new product), with the costs directly referring to it (all the four groups of costs – raw materials, packaging material, variable production and variable logistics – are direct variable costs, available for direct linkage with the source).

GPaL allows for the estimation of the business effect reduced by absorption of fixed costs, that refer to the same areas as those of contribution: production and logistics. For a company with large distribution and manufacturing network across Russia these costs provide significant amount of distortion, which is cleared by the calculation of GPaL.

GBC serves primarily as marketing efficiency measure, with brand and trade marketing costs included in the calculation of the indicator (in addition to what GPaL estimates). The result includes all the direct costs related to the project, as well as the effort put from the side of marketing.

GCC provides a different approach to the project effect estimation, with the exclusion of brand marketing (but leaving trade marketing costs) and the addition of sales and trade marketing equipment. GCC also plays an important role in the project acceptance criteria system: for each division and sales office, there exists an estimated threshold that states the minimum level of GCC (in RUR) that a project must achieve in order to be accepted. Even if the project shows positive results corresponding to the goals, it might not be accepted due to the feasibility threshold, which indicates that the project's scale is too small and it is likely to lead to high alternative costs.

Sales volumes are treated from the viewpoint of the link to the system of company's goals (e.g. the estimated necessary increase of market share is achieved at the sales volume not less than a specific value).

In the second case, the classical investment project techniques are used, with the goals stated in terms of internal rate of return (IRR), net present value (NPV), payback period (PP) and discounted payback period (DPP), combined with the approach applicable to OpEx marketing projects.

Module C: Identification of risks

C1 – Market risks identification. In most cases, risk sources refer to the area of sales volumes underachievement. The module of restrictions is represented in a detailed manner so that the estimations originating from it can be considered reliable, which is significantly sustained by the availability of database of marketing projects.

C2 - Facilitation of risks. Underachievement of sales volumes is primarily managed by the defense process, with the salespeople justifying the volumes figures, and the controlling and planning departments challenging the feasibility of those.

Module D: Scenario planning

D1 - Scenarios construction. The marketing project goals setting procedure does not include construction of scenarios, but might contain evaluation of several options, for example as the necessity to choose the best structure of costs. But these estimations do not refer to the states of the environment, which are usually the prerequisite for the construction of scenarios. In the case of Baltika, there is only one scenario, which serves as the budgeting reference. After the only scenario is constructed, some restrictions might be relaxed to improve feasibility, but no scenario alternatives are to be considered. Based on the results of the calculations, the goals for the projects are set primarily in terms of both GCC and GBC.

Strategic goals

The company states its strategic goals in terms of three indicators: GPaL, market share in money terms and operating profit. Two of the three indicators come from the financial perspective (GPaL and operating profit), while the third one come from the customer perspective. Currently, the company focuses on the improvement of results in terms of market share.

2.2.3. Analysis of the gaps in the audited system

The comparison of the marketing project goals setting framework with the information obtained through the audit allows to state several significant observations (problems):

1. Goals setting: Focus on financial perspective on the project level. As it can be concluded from the analysis of the goals setting module, all the operational objectives represent the financial perspective of performance indicators. In general, this means that even if a company has strategic goals set in other perspectives than financial, on the level of the operative goals of marketing projects, the goals are set only in terms of financial performance indicators. This has several consequences: (1) the company cannot estimate its performance in non-financial perspectives,

which means that management accounting system on the strategic level cannot fully execute its performance measurement, planning, control and decision-making support functions; (2) if the company has strategic goals in non-financial perspective, they will probably not be achieved through marketing projects, because they are not established in the projects' system of operational objectives, which undermines execution of the company's strategy.

2. *Goals setting: Contradiction between performance metrics.* In almost each marketing project, Baltika uses all the four performance indicators: contribution, GPaL, GCC and GBC. But while contribution and GPaL represent costs of different levels and types (direct/indirect, variable/fixed), GCC and GBC differ in the costs included at the same level depending of their nature: apart from trade marketing costs, GBC includes brand management costs, while GCC contains sales costs instead. Designed to estimate efficiency of different efforts (brand management and sales), these indicators lead to different results when used separately. One of these functional areas can be abused in terms of the effort while the other – left weakly applied, depending on the indicator used (brand management in case of GCC, and vice versa), and this misuse of effort will not be traced by the performance metric used. If the metrics are used at the same time, no contradiction described is observed, but the goals are not always set this way. Such discrepancies lead to inefficiencies in the use of instruments, as well as deviations from the course of action which leads to the implementation of the strategy, if it is stated so, that the operative goals can fully be expressed through GCC or GBC (as it has been stated above, these indicators might not be enough to do it).

3. *Goals setting: Insufficiency of acceptance criteria.* As is has been stated previously, the acceptance criteria include some of the four indicators introduced, with positive values at the level of GCC and GBC, as well as GCC thresholds, with exact figures to be overcome. The use of these acceptance criteria might eventually reduce the quality of the decisions made. The problem arises from design of the acceptance criteria, which are:

- a. *rigid* (the criteria rely on the positivity of results (contribution, GPaL, GCC, and GBC) or the excess of exact predefined values (thresholds), which might not capture the complexity of the project's context and remain universal);
- b. *quantitative only* (the indicators used in the evaluations are exclusively quantitative by their nature – they measure only amounts of money in different ways but refer to the operational level).

4. *Modelling: Absence of scenario planning.* As it has been previously stated, marketing project design procedure does not contain full-fledged scenario planning. One component – calculation of project outputs based on different input cost values – does not represent scenario

planning, because: (1) only one variant gets finally accepted and budgeted, and (2) the variants analyzed do not allow for several different states of environment – they include deviations that mostly arise from the internal effort within the project. In fact, planning is based on the only scenario considered the most probable due to its adjusted feasibility. In general, this means that Baltika's departments do not have alternative courses of action, which increases the risk exposure of marketing projects. In particular, significant change of the project environment will make the stated goals irrelevant.

2.2.4. Managerial implications

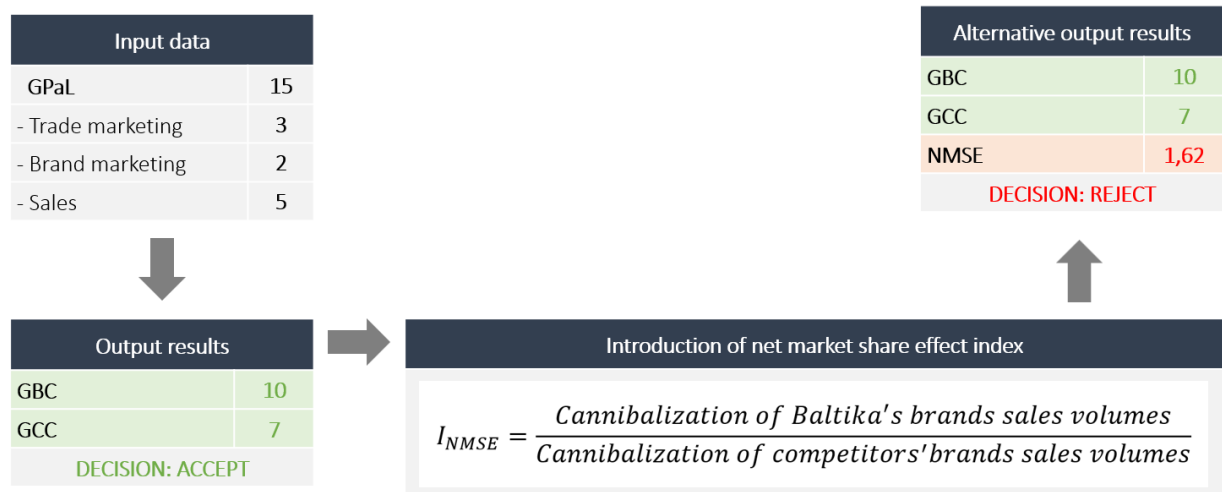
The audit of the new marketing projects design procedure in Baltika according to the management accounting system framework developed has indicated some discrepancies between the actual state and the one described in the framework, which might lead the system established in the company to undesirable results. The use of the framework to initially design the system or redesign it could lead to alternative results in the discrepancies areas identified.

1. Goals setting: Use of multiple perspectives on the project level. The extension of the metrics used for project estimation is a decision which has significant consequences and it should be considered from different positions. In general, the performance of marketing projects can be seen through the four perspectives of goals setting, but the use of all four might lead to loss of focus on the necessary performance aspects. Since Baltika has its strategic goals stated in terms of (1) gross profit after logistics, (2) operational profit and (3) market share (in money terms), it can be concluded that the strategic goals represent the financial (1 and 2) and the customer (3) perspectives, with only one of those (financial) present in the performance measurement of marketing projects.

The application of the framework to the case would effectively result in the addition of the customer perspective of goals setting to the level of marketing projects. When adding an indicator, it is crucial to have it linked to strategic goals, with sufficient clarity for the project acceptance decision-making.

The possible implication could be the introduction of the net market share effect index, estimating the impact of the marketing project on the market share of the company against its competitors, measured as the cannibalization⁴ of the Baltika's brands sales volumes (in money terms) divided by the cannibalization of competitors' brands sales volumes (in money terms). The value of the index equal to 1 indicates the equality of the cannibalization effect of the project both on the company's and the competitors' market share (see *Picture 12*).

⁴ Cannibalization is a decrease in sales volume (and consequently market share) of a particular brand as a result of other brand's increase in sales volume.

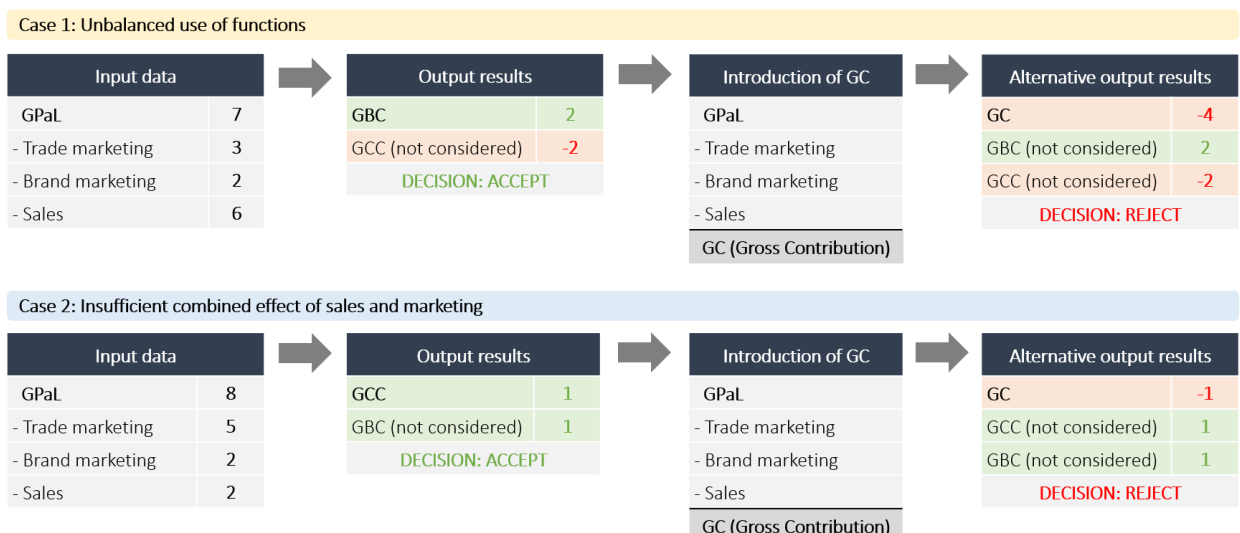


Picture 12. Consequences of introduction of the new market share effect index

Source: author's research

2. *Goals setting: Merger of performance metrics.* The contradiction between the performance metrics of GBC and GCC could be diminished in three ways: (1) constant use of both; (2) introduction of the merged indicator (gross contribution, GC), containing costs categories from both, with the structure available through the decomposition, if needed. In this case, GCC and GBC can also remain in the system of performance indicators used for performance measure of results of effort of different departments.

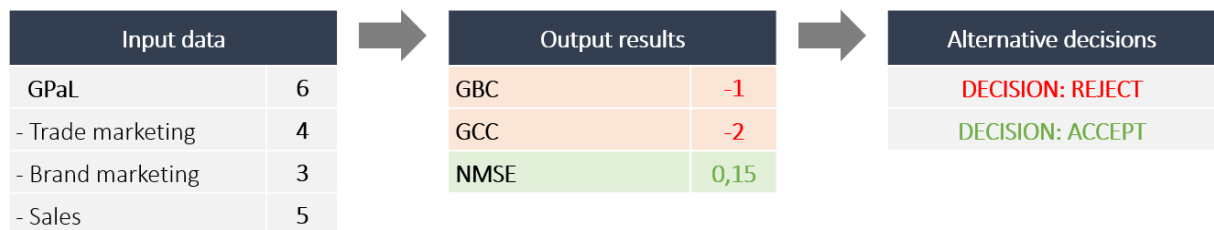
The application of the indicator can fulfil several functions, which are omitted in the current system: balancing of use of functions (sales and brand marketing), and monitoring of the combined effect of sales and brand marketing on the overall project's performance (see *Picture 13*).



Picture 13. Consequences of the introduction of the combined Gross Contribution (GC) indicator

Source: author's research

3. *Goals setting: Modification of acceptance criteria.* The application of the framework to the acceptance criteria results in the *adaptation of the acceptance criteria to the context of each project*. The statement implies a trade-off between the metrics, with the possibility to accept projects which might have performance estimated below the initially established thresholds, according to some of the metrics, but good results in terms of the other, crucial for the achievement of strategic goals. In the current context, the change would mean concentration on projects which yield market share rather than sustain high profitability (see *Picture 14*).



Picture 14. Consequences of the modification of acceptance criteria

Source: author's research

4. *Modelling: Introduction of scenario planning.* The one-scenario approach, which is classified by the framework as a drawback of the company's modelling component, can be transformed into scenario planning. In general, the approach implies consideration of different states of environment and its corresponding effects on the project's performance (see *Picture 15*).

The states of environment in the case of new marketing projects implemented in Baltika can be characterized by:

- *demand* (the parameter is of high importance due to market volatility and seasonality, governmental regulation and competitors' activities; its influence is estimated in terms of sales volumes in response to the price level established by the company, as well as Baltika's marketing and sales efforts);
- *exchange rate* (EUR/RUB; the rationale for the importance of the parameter is high political risks of the Russian market, which might result in significant increase of exchange rates, thus leading to higher import prices for the ingredients used; the influence is reflected in the costs of raw materials, derived from their import prices).

Scenario	NORMAL	PESSIMISTIC	OPTIMISTIC
Description of environment			
Sales volume (dal)	2105	1860	2350
ForEx (EUR/RUB)	73,5	76	70,3
Effect calculation			
Net Sales	45	39	50
Raw materials	14	15	13
Packaging materials	6	6	6
Variable production	3	3	3
Variable logistics	2	2	2
Contribution	20	13	26
Fixed production	3	3	3
Fixed logistics	2	2	2
GPaL	15	8	21
Trade marketing	3	3	3
Brand marketing	2	2	2
Sales	5	5	5
GBC	10	3	16
GCC	7	0	13
GC	5	-2	11

*Picture 15. Possible representation of the scenario planning
for new marketing projects in Baltika Breweries*

Source: author's research

CONCLUSION

In the present thesis the gap in the literature between the strategic goals setting concepts in the structural dimension and the marketing projects goals setting in the process dimension was studied, while the steps to cover the gap were taken. The author developed a management accounting system framework for marketing projects, which combines the features of the structural approach to strategic goal setting and process approach to setting goals of marketing projects. The framework incorporates basic features of a project and enriches them with the specificity of marketing.

The developed framework allows for various applications: construction of management accounting system for marketing projects from scratch; audit of the existing management accounting system; correction of management accounting system for the closer fit with the strategic goals of the company and goals of a marketing project.

The application of the management accounting system framework for marketing projects to the case of Baltika Breweries demonstrated the practical value of the model from the position of auditing and correcting management accounting system for the fit of the marketing projects. In general, the use of the framework provides additional control of risks in marketing projects through the consideration of alternative scenarios and taking into account more performance measures which reveal previously omitted aspects. The framework broadens the horizon of decision-making in the context of marketing projects by the addition of alternative solutions (and, consequently, decisions). Furthermore, the framework contains the modules related to the company's strategic goals which helps additionally focus the marketing projects on the strategic goals, which might have previously been out of sight.

REFERENCES

1. Adizes I. Corporate Lifecycles: how and why corporations grow and die and what to do about it / Adizes I. – Englewood Cliffs. – N.J.: Prentice Hall, 1988.
2. Adizes I. Managing Corporate Lifecycles / Adizes I. – Paramus. – N.J. : Prentice Hall, 1999.
3. Drury, C. Management and cost accounting / Drury, C. – United Kingdom. – 8th ed. – London etc. : Cengage Learning EMEA, 2012. – 750 p.
4. Grant, R. Contemporary strategic analysis / Grant, R. – John Wiley & Sons. – 7th ed. – UK, 2010. – 518 p.
5. Kaplan, R. The Balanced Scorecard – Translating Strategy into Action / Kaplan, R.S. and Norton, D.P. – Harvard Business School Press. – Boston, MA, 1996. – 329 p.
6. Kaplan, R. The Strategy Maps-Converting Intangible Assets into Tangible Outcomes / Kaplan, R.S. and Norton, D.P. – Harvard Business School Press. – Boston, MA, 2004. – 454 p.
7. Kaplan, R. The Strategy-Focused Organization: How Balanced Scorecard Companies Thrive In The New Business Environment / Kaplan, R.S. and Norton, D.P. – Harvard Business School Press. – Boston, MA, 2001. – 416 p.
8. Lynch, R. Measure up! Yardsticks for continuous improvement / Lynch, R. and Cross, K. – Basil Blackwell Inc. – Cambridge, MA, 1995. – 268 p.
9. Marketing metrics: the definitive guide to measuring marketing performance / P. W. Farris et al. – Rev. ed. – New Jersey etc. : Pearson, 2010. – 432 p.
10. Maylor, H. Project Management / Maylor, H. – Financial Times Management. – London, 1999.
11. Porter, M. Competitive advantage: creating and sustaining superior performance / Porter, M. – Free Press. – 1st ed. – New York, 1985. – 580 p.
12. Atkinson, R. Project management: cost, time and quality, two best guesses and a phenomenon, its time to accept other success criteria / R. Atkinson // International Journal of Project Management. – 1999. – Vol. 17, N. 6. – P. 337-343.
13. Banker, R. The balanced scorecard: judgmental effects of performance measures linked to strategy / R. D. Banker, H. Chang, M. J. Pizzini // The Accounting Review. – 2004. Vol. 79, N. 1. – P. 1-23.

14. Bhagwat, R. Performance measurement of supply chain management: a balanced scorecard approach / R. Bhagwat, M. K. Sharma // Computers & Industrial Engineering. – 2007. – Vol. 53, N. 1. – P. 43-62.
15. Bryant, L. Managing value creation within the firm: an examination of multiple performance measures / L. Bryant, D. A. Jones, S. K. Widener // Journal of Management Accounting Research. – 2004. – Vol. 16, N. 1. – P. 107-132.
16. Bryde D. Project management concepts, methods and application / D. J. Bryde // International Journal of Operations & Production Management. – 2003. – Vol. 23, N. 7. – P 775-793.
17. Chendall, R. Multiple perspectives of performance measures / R. H. Chendall, K. Langfield-Smith // European Management Journal. – 2007. – Vol. 25, N. 4. – P. 266-282.
18. Davis, S. An investigation of the effect of balanced scorecard implementation on financial performance / S. Davis, T. Albright // Management Accounting Research. – 2004. – Vol. 15, N. 2. – P. 135-153.
19. Geraldi, J. On faith, fact, and interaction in projects / J. Geraldi, G. Adlbrecht // IEEE Engineering Management Review. – 2008. – Vol. 36, N. 2. – P. 35-49.
20. Geraldi, J. The thermometer of complexity / J. Geraldi // Project Perspectives, the annual publication of International Management Association. – 2008. P. 4-9.
21. Gidel, T. Decision-making framework methodology: an original approach to project risk management in new product design / T. Gidel, R. Gutier, R. Duchamp // Journal of Engineering Design. – 2007. – Vol. 16, N. 1. – P. 1-23.
22. Govindarajan, V. Linking control systems to business unit strategy: impact on performance / V. Govindarajan, A. K. Gupta // Accounting, Organizations and Society. – 1984. Vol. 20, N. 1. – P. 51-66.
23. Hoque, Z. Linking balanced scorecard measures to size and market factors: impact on organizational performance / Z. Hoque, W. James // Journal of Management Accounting Research. – 2000. – Vol. 12, N. 1. – P. 1-17.
24. Ittner, C. Subjectivity and the weighting of performance measures: evidence from a balanced scorecard / C. D. Ittner, D. F. Larcker, M. W. Meyer // The Accounting Review. – 2003. – Vol. 78, N. 3. – P. 725-758.

25. Lipe, M. The balanced scorecard: judgmental effects of common and unique performance measures / M. Lipe, S. Salterio // *The Accounting Review* – 2000. Vol. 74, N. 3. – P. 283-299.
26. Malina, M. Communicating and controlling strategy: an empirical study of the effectiveness of the balanced scorecard / M. A. Malina, F. H. Selto // *Journal of Management Accounting Research*. – 2001. – Vol. 13, N. 1. – P. 47-90.
27. Marques, G. Multi-criteria performance analysis for decision making in project management / G. Marques, D. Gourc, M. Luras // *International Journal of Project Management*. – 2010. – Vol. 29, N. 8. – P. 1057-1069.
28. Neely, A. Perspectives on performance: the performance prism / A. Neely, C. Adams // *Journal of Cost Management*. – 2001. – Vol. 15, N. 1. – P. 7-15.
29. Nicholas, J. Successful project management: a force-field analysis / J. M. Nicholas // *Journal of Systems Management*. – 1989. – Vol. 40, N. 1, P. 24-30.
30. Phillips, J. R. Enhancing the effectiveness of organizational change management / J. R. Phillips // *Human Resource Management*. – 1983. – Vol. 22, N. 1/2. – P. 183-199.
31. Rom, A. Management accounting and integrated information systems: a literature review / A. Rom, C. Rohde // *International Journal of Accounting Information Systems*. – 2007. – Vol. 8, N. 1. – P. 40-68.
32. Tükel, O. An empirical investigation of project evaluation criteria / O. I. Tükel, W. O. Rom // *International Journal of Operations & Production Management*. – 2001. – Vol. 21, N. 3, P. 400-416.
33. International Organization for Standardization (ISO) ISO 10006:2003 standard: Quality management systems - Guidelines for quality management in projects, 2003.